

COMMITTEE REPORT

MR. PRESIDENT:

The Senate Committee on Finance, to which was referred House Bill No. 1004, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

- 1 Delete the title and insert the following:
- 2 A BILL FOR AN ACT to amend the Indiana Code concerning state
- 3 and local fiscal matters and to make an appropriation.
- 4 Delete everything after the enacting clause and insert the following:
- 5 SECTION 1. IC 4-4-9.3 IS ADDED TO THE INDIANA CODE AS
- 6 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
- 7 1, 2002]:
- 8 **Chapter 9.3. Rural Development Administration Fund**
- 9 **Sec. 1. (a) The rural development administration fund is**
- 10 **established for the purpose of enhancing and developing rural**
- 11 **communities. The fund shall be administered by the rural**
- 12 **development council.**
- 13 **(b) The expenses of administering the fund shall be paid from**
- 14 **the money in the fund.**
- 15 **(c) Notwithstanding IC 5-13, the treasurer of state shall invest**
- 16 **the money in the fund not currently needed to meet the obligations**
- 17 **of the fund under IC 5-10.3-5. The treasurer of state may contract**
- 18 **with investment management professionals, investment advisers,**
- 19 **and legal counsel to assist in the management of the fund and may**
- 20 **pay the state expenses incurred under those contracts.**

(d) Money in the fund at the end of the fiscal year does not revert to the general fund.

Sec. 2. (a) Money in the fund may be used for the following purposes:

(1) To create, assess, and assist a pilot project to enhance the economic and community development in a rural area.

(2) To establish a local revolving loan fund for an industrial, a commercial, an agricultural, or a tourist venture.

(3) To provide a loan for an economic development project in a rural area.

(4) To provide technical assistance to a rural organization.

(5) To assist in the development and creation of a rural cooperative.

(6) To address rural workforce development challenges.

(7) To assist in addressing telecommunications needs in a rural area.

(b) Expenditures from the fund are subject to appropriation by the general assembly and approval by the rural development council (IC 4-4-9.5). The council may not approve an expenditure from the fund unless the rural development administration advisory board established by section 3 of this chapter has recommended the expenditure.

Sec. 3. (a) The rural development administration advisory board is established to make recommendations concerning the expenditure of money from the fund.

(b) The advisory board shall meet at least four (4) times per year and shall also meet at the call of the executive director of the rural development council.

(c) The rural advisory board consists of the following members:

(1) The executive director of the rural development council, who serves as an ex officio member and as the chairperson of the advisory board.

(2) Two (2) members of the senate, who may not be members of the same political party and who are appointed by the president pro tempore of the senate.

(3) Two (2) members of the house of representatives, who may not be members of the same political party and who are appointed by the speaker of the house of representatives.

(4) A representative of the commissioner of agriculture, to be appointed by the governor.

(5) A representative of the department of commerce, to be appointed by the governor.

(6) A representative of the department of workforce development, to be appointed by the governor.

(7) Two (2) persons with knowledge and experience in state and regional economic needs, to be appointed by the governor.

(8) A representative of a local rural economic development organization, to be appointed by the governor.

(9) A representative of a small town or rural community, to be appointed by the governor.

(10) A representative of the rural development council, to be appointed by the governor.

(11) A representative of rural education, to be appointed by the governor.

(12) A representative of the league of regional conservation and development districts, to be appointed by the governor.

(13) A person currently enrolled in rural secondary education, to be appointed by the governor.

(d) The members of the advisory board listed in subsection (c)(1) through (c)(3) are nonvoting members.

(e) The term of office of a legislative member of the advisory board is four (4) years. However, a legislative member of the advisory board ceases to be a member if the member:

(1) is no longer a member of the chamber from which the member was appointed; or

(2) is removed from the advisory board by the appointing authority who appointed the legislator.

(f) The term of office of a voting member of the advisory board is four (4) years. However, these members serve at the pleasure of the governor and may be removed for any reason.

(g) If a vacancy exists on the advisory board, the appointing authority who appointed the former member whose position has become vacant shall appoint an individual to fill the vacancy for the balance of the unexpired term.

(h) Six (6) voting members of the advisory board constitute a quorum for the transaction of business at a meeting of the advisory board. The affirmative vote of at least six (6) voting members is necessary for the advisory board to take action.

SECTION 2. IC 4-10-21 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

Chapter 21. Business Cycle State Spending Controls

Sec. 1. As used in this chapter, "state spending cap" refers to the

1 state spending cap determined under section 2 of this chapter.

2 Sec. 2. (a) For the state fiscal year beginning July 1, 2003, and
3 ending June 30, 2004, the state spending cap is equal to the result
4 determined under STEP THREE of the following formula:

5 STEP ONE: Determine the sum of the total of the
6 appropriations made from the state general fund and the
7 property tax replacement fund (including continuing
8 appropriations) for the state fiscal year beginning July 1,
9 2001, and ending June 30, 2002.

10 STEP TWO: Subtract from the STEP ONE result the amount
11 of appropriations from the state general fund and the
12 property tax replacement fund (including continuing
13 appropriations) that were reverted and unexpended for the
14 state fiscal year beginning July 1, 2001, and ending June 30,
15 2002.

16 STEP THREE: Multiply the STEP TWO result by one and
17 four-hundredths (1.04).

18 (b) For the state fiscal year beginning July 1, 2004, and ending
19 June 30, 2005, the state spending cap is equal to the product of the
20 result determined under subsection (a) multiplied by one and
21 four-hundredths (1.04).

22 (c) The state spending cap for a state fiscal year beginning after
23 June 30, 2005, is equal to the product of the state spending growth
24 quotient for the state fiscal year determined under section 3 of this
25 chapter multiplied by the state spending cap for the state fiscal
26 year immediately preceding the state fiscal year.

27 (d) The state spending cap imposed under this section is
28 increased in the initial state fiscal year in which the state receives
29 additional revenue for deposit in the state general fund or property
30 tax replacement fund as a result of the enactment of a law:

- 31 (1) establishing a new tax or fee after June 30, 2002;
- 32 (2) increasing the rate of a previously enacted tax or fee after
33 June 30, 2002; or
- 34 (3) reducing or eliminating an exemption, deduction, or credit
35 against a previously enacted tax or fee after June 30, 2002.

36 The amount of the increase is equal to the average revenue that the
37 budget agency estimates will be raised by the legislative action in
38 the initial two (2) full state fiscal years in which the legislative
39 change is in effect.

40 (e) The state spending cap imposed under this section is
41 decreased in the initial state fiscal year in which the state is
42 affected by a decrease in revenue deposited in the state general

fund or property tax replacement fund as the result of the enactment of a law:

- (1) eliminating a tax or fee enacted after June 30, 2002;
- (2) eliminating any part of a tax rate increase or fee increase originally enacted after June 30, 2002; or
- (3) reinstating any part of an exemption, deduction, or credit against a tax or fee originally reduced or eliminated after June 30, 2002.

The amount of the decrease is equal to the average revenue that the budget agency estimates will be lost as a result of the legislative action in the initial two (2) full state fiscal years in which the legislative change is in effect.

Sec. 3. The budget agency shall compute a new state spending growth quotient before December 31 in each even-numbered year under this section. The state spending growth quotient determined under this section applies to each of the state fiscal years in the immediately following biennial budget period. The state spending growth quotient to be used in the biennial budget period is the amount determined under STEP FOUR of the following formula:

STEP ONE: For each of the six (6) calendar years immediately preceding the beginning of the first state fiscal year in a biennial budget period, divide the Indiana personal income for the calendar year by the Indiana personal income for the calendar year immediately preceding that calendar year.

STEP TWO: Determine the sum of the STEP ONE results.

STEP THREE: Divide the STEP TWO result by six (6).

STEP FOUR: Determine the lesser of the following:

- (A) The STEP THREE quotient.
- (B) One and six-hundredths (1.06).

Sec. 4. For purposes of section 3 of this chapter, Indiana personal income is the estimate of total personal income for Indiana in a calendar year as computed by the federal Bureau of Economic Analysis before December 31 immediately preceding the beginning of the first state fiscal year in a biennial budget period, using any:

- (1) actual data available for the calendar year; and
- (2) estimated data for the calendar year whenever actual data is not available.

Sec. 5. (a) The maximum total amount that may be expended in a state fiscal year from the state general fund, the property tax replacement fund, and the counter-cyclical revenue and economic

1 **stabilization fund is the least of the following:**

2 (1) Subject to sections 6 and 7 of this chapter, the state
3 spending cap for the state fiscal year.

4 (2) The amount appropriated by the general assembly from
5 the state general fund, the property tax replacement fund, and
6 the counter-cyclical revenue and economic stabilization fund.

7 (3) The amount of money available in the state general fund,
8 the property tax replacement fund, and the counter-cyclical
9 revenue and economic stabilization fund to pay expenditures.

10 (b) Subject to sections 6 and 7 of this chapter, if the state
11 spending cap for the state fiscal year is less than the amount
12 appropriated by the general assembly in the state fiscal year from
13 the state general fund, the property tax replacement fund, and the
14 counter-cyclical revenue and economic stabilization fund, the
15 budget agency shall reduce the amounts available for expenditure
16 from the state general fund, the property tax replacement fund,
17 and the counter-cyclical revenue and economic stabilization fund
18 in the state fiscal year by using the procedures in IC 4-13-2-18.

19 **Sec. 6. The following expenditures that would otherwise be**
20 **subject to this chapter shall be excluded from all computations and**
21 **determinations related to a state spending cap:**

22 (1) Expenditures derived from money deposited in the state
23 general fund, the property tax replacement fund, and the
24 counter-cyclical revenue and economic stabilization fund
25 from any of the following:

26 (A) Gifts.

27 (B) Federal funds.

28 (C) Dedicated funds.

29 (D) Intergovernmental transfers.

30 (E) Damage awards.

31 (F) Property sales.

32 (2) Expenditures for any of the following:

33 (A) Transfers of money among the state general fund, the
34 property tax replacement fund, and the counter-cyclical
35 revenue and economic stabilization fund.

36 (B) Reserve fund deposits.

37 (C) Refunds of intergovernmental transfers.

38 (D) State capital projects.

39 (E) Payment of judgments against the state and settlement
40 payments made to avoid a judgment against the state,
41 other than a judgment or settlement payment for failure to
42 pay a contractual obligation or a personnel expenditure.

(F) Distributions or allocations of state tax revenues to a unit of local government under IC 36-7-13, IC 36-7-26, IC 36-7-27, IC 36-7-31, or IC 36-7-31.3.

(G) Motor vehicle excise tax replacement payments that are derived from amounts transferred to the state general fund from the lottery and gaming surplus account of the build Indiana fund.

(H) Distributions of state tax revenues collected under IC 7.1 that are payable to cities and towns.

Sec. 7. (a) An appropriation otherwise subject to the state spending cap limitation imposed by section 5 of this chapter shall be treated as exempt from the state spending cap limitation only if the general assembly specifically exempts the appropriation from the state spending cap in clear and unambiguous language contained in the bill making the appropriation.

(b) The following language shall be treated as meeting the requirements of subsection (a):

"The general assembly waives the state spending cap limitation imposed by IC 4-10-21-5 for the state fiscal year beginning July 1, (insert the applicable year), and ending June 30, (insert the applicable year), for the following appropriation: (insert the language of the appropriation). Notwithstanding IC 4-10-21-5(a)(1), the budget agency may allot appropriations for the appropriation without making any reduction under IC 4-10-21-5(b).".

(c) Language in a bill such as "Notwithstanding IC 4-10-21" or "IC 4-10-21 does not apply to this appropriation" shall not be treated as meeting the requirements of subsection (a). The budget agency may consider the language described in this subsection or other language that does not meet the requirements of subsection (a) only in determining which appropriations to make available for expenditure under section 5(b) of this chapter.

Sec. 8. The senate and the house of representatives are encouraged to exercise the authority granted under Article 4, Section 10 of the Constitution of the State of Indiana to adopt rules of procedure to permit a bill, committee report, or conference committee report that would:

(1) increase or decrease the state spending cap for a state fiscal year; or

(2) provide for an appropriation that is exempt from the state spending cap;

to be considered and adopted only after at least two-thirds (2/3) of

1 **the members of the chamber considering the measure affirmatively**
 2 **vote to consider and enact the increase, decrease, or exemption.**

3 **Sec. 9. Not earlier than December 1 and not later than the first**
 4 **session day of the general assembly after December 31 of each**
 5 **even-numbered year, the budget agency shall submit a report in**
 6 **writing to the executive director of the legislative services agency**
 7 **that includes at least the following information:**

8 **(1) The state spending cap for each of the state fiscal years in**
 9 **the immediately following biennial budget period.**

10 **(2) The supporting data and calculations necessary for a**
 11 **person to independently verify the manner in which the state**
 12 **spending caps described in subdivision (1) was determined.**

13 SECTION 3. IC 4-21.5-2-4, AS AMENDED BY P.L.198-2001,
 14 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 15 JANUARY 1, 2003]: Sec. 4. (a) This article does not apply to any of
 16 the following agencies:

17 (1) The governor.

18 (2) The state board of accounts.

19 (3) The state educational institutions (as defined by
 20 IC 20-12-0.5-1).

21 (4) The department of workforce development.

22 (5) The unemployment insurance review board of the department
 23 of workforce development.

24 (6) The worker's compensation board.

25 (7) The military officers or boards.

26 (8) The Indiana utility regulatory commission.

27 (9) The department of state revenue (excluding an agency action
 28 related to the licensure of private employment agencies **or an**
 29 **agency action under IC 6-2.2-11-2 through IC 6-2.2-11-7).**

30 (b) This article does not apply to action related to railroad rate and
 31 tariff regulation by the Indiana department of transportation.

32 SECTION 4. IC 4-30-17-3 IS AMENDED TO READ AS
 33 FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 3. (a) There is
 34 established the build Indiana fund to receive deposits of surplus lottery
 35 revenues collected under this article. The fund shall be administered by
 36 the treasurer of state. The treasurer of state shall invest the money in
 37 the fund that is not needed to meet the obligations of the fund in the
 38 same manner as other public funds are invested. Money in the fund at
 39 the end of a state fiscal year does not revert to the state general fund.

40 **(b) There is annually appropriated to the state general fund one**
 41 **hundred million dollars (\$100,000,000) from the build Indiana**
 42 **fund. Distributions shall be made from the build Indiana fund to**

1 **the state general fund in quarterly installments of twenty-five**
 2 **million dollars (\$25,000,000) each before the last business day of**
 3 **January, April, July, and October.**

4 SECTION 5. IC 4-33-12-1 IS AMENDED TO READ AS
 5 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. A tax is imposed on
 6 admissions to gambling excursions authorized under this article at a
 7 rate of ~~three~~ **four** dollars ~~(\$3)~~ **(\$4)** for each person admitted to the
 8 gambling excursion. This admission tax is imposed upon the licensed
 9 owner conducting the gambling excursion.

10 SECTION 6. IC 4-33-12-6, AS AMENDED BY P.L.215-2001,
 11 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 12 JULY 1, 2002]: Sec. 6. (a) The department shall place in the state
 13 general fund the tax revenue collected under this chapter.

14 (b) Except as provided by subsection (c) and IC 6-3.1-20-7, the
 15 treasurer of state shall quarterly pay the following amounts:

16 (1) One dollar (\$1) of the admissions tax collected by the licensed
 17 owner for each person embarking on a riverboat during the
 18 quarter shall be paid to:

19 (A) the city in which the riverboat is docked, if the city:

20 (i) is described in IC 4-33-6-1(a)(1) through
 21 IC 4-33-6-1(a)(4) or in IC 4-33-6-1(b); or

22 (ii) is contiguous to the Ohio River and is the largest city in
 23 the county; and

24 (B) the county in which the riverboat is docked, if the
 25 riverboat is not docked in a city described in clause (A).

26 (2) One dollar (\$1) of the admissions tax collected by the licensed
 27 owner for each person embarking on a riverboat during the
 28 quarter shall be paid to the county in which the riverboat is
 29 docked. In the case of a county described in subdivision (1)(B),
 30 this one dollar (\$1) is in addition to the one dollar (\$1) received
 31 under subdivision (1)(B).

32 (3) Ten cents (\$0.10) of the admissions tax collected by the
 33 licensed owner for each person embarking on a riverboat during
 34 the quarter shall be paid to the county convention and visitors
 35 bureau or promotion fund for the county in which the riverboat is
 36 docked.

37 (4) Fifteen cents (\$0.15) of the admissions tax collected by the
 38 licensed owner for each person embarking on a riverboat during
 39 a quarter shall be paid to the state fair commission, for use in any
 40 activity that the commission is authorized to carry out under
 41 IC 15-1.5-3.

42 (5) Ten cents (\$0.10) of the admissions tax collected by the

1 licensed owner for each person embarking on a riverboat during
 2 the quarter shall be paid to the division of mental health and
 3 addiction. The division shall allocate at least twenty-five percent
 4 (25%) of the funds derived from the admissions tax to the
 5 prevention and treatment of compulsive gambling.

6 (6) Sixty-five cents (\$0.65) of the admissions tax collected by the
 7 licensed owner for each person embarking on a riverboat during
 8 the quarter shall be paid to the Indiana horse racing commission
 9 to be distributed as follows, in amounts determined by the Indiana
 10 horse racing commission, for the promotion and operation of
 11 horse racing in Indiana:

12 (A) To one (1) or more breed development funds established
 13 by the Indiana horse racing commission under
 14 IC 4-31-11-10.

15 (B) To a racetrack that was approved by the Indiana horse
 16 racing commission under IC 4-31. The commission may
 17 make a grant under this clause only for purses, promotions,
 18 and routine operations of the racetrack. No grants shall be
 19 made for long term capital investment or construction and
 20 no grants shall be made before the racetrack becomes
 21 operational and is offering a racing schedule.

22 **(7) One dollar (\$1) of the admissions tax collected by the**
 23 **licensed owner for each person embarking on a riverboat**
 24 **during the quarter shall be paid to the residential account of**
 25 **the property tax replacement fund.**

26 (c) With respect to tax revenue collected from a riverboat that
 27 operates on Patoka Lake, the treasurer of state shall quarterly pay the
 28 following amounts:

29 (1) The counties described in IC 4-33-1-1(3) shall receive one
 30 dollar (\$1) of the admissions tax collected for each person
 31 embarking on the riverboat during the quarter. This amount shall
 32 be divided equally among the counties described in
 33 IC 4-33-1-1(3).

34 (2) The Patoka Lake development account established under
 35 IC 4-33-15 shall receive one dollar (\$1) of the admissions tax
 36 collected for each person embarking on the riverboat during the
 37 quarter.

38 (3) The resource conservation and development program that:

39 (A) is established under 16 U.S.C. 3451 et seq.; and

40 (B) serves the Patoka Lake area;

41 shall receive forty cents (\$0.40) of the admissions tax collected
 42 for each person embarking on the riverboat during the quarter.

(4) The state general fund shall receive fifty cents (\$0.50) of the admissions tax collected for each person embarking on the riverboat during the quarter.

(5) The division of mental health and addiction shall receive ten cents (\$0.10) of the admissions tax collected for each person embarking on the riverboat during the quarter. The division shall allocate at least twenty-five percent (25%) of the funds derived from the admissions tax to the prevention and treatment of compulsive gambling.

(d) Money paid to a unit of local government under subsection (b)(1) through (b)(2) or subsection (c)(1):

(1) must be paid to the fiscal officer of the unit and may be deposited in the unit's general fund or riverboat fund established under IC 36-1-8-9, or both;

(2) may not be used to reduce the unit's maximum levy under IC 6-1.1-18.5, but may be used at the discretion of the unit to reduce the property tax levy of the unit for a particular year;

(3) may be used for any legal or corporate purpose of the unit, including the pledge of money to bonds, leases, or other obligations under IC 5-1-14-4; and

(4) is considered miscellaneous revenue.

(e) Money paid by the treasurer of state under subsection (b)(3) shall be:

(1) deposited in:

(A) the county convention and visitor promotion fund; or

(B) the county's general fund if the county does not have a convention and visitor promotion fund; and

(2) used only for the tourism promotion, advertising, and economic development activities of the county and community.

(f) Money received by the division of mental health and addiction under subsections (b)(5) and (c)(5):

(1) is annually appropriated to the division of mental health and addiction;

(2) shall be distributed to the division of mental health and addiction at times during each state fiscal year determined by the budget agency; and

(3) shall be used by the division of mental health and addiction for programs and facilities for the prevention and treatment of addictions to drugs, alcohol, and compulsive gambling, including the creation and maintenance of a toll free telephone line to provide the public with information about these addictions. The division shall allocate at least twenty-five percent (25%) of the

1 money received to the prevention and treatment of compulsive
2 gambling.

3 SECTION 7. IC 4-33-13-1 IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. (a) A tax is imposed
5 on the adjusted gross receipts received from gambling games
6 authorized under this article at the rate of ~~twenty~~ **twenty-two and**
7 **one-half** percent (~~20%~~) (**22.5%**) of the amount of the adjusted gross
8 receipts.

9 (b) The licensed owner shall remit the tax imposed by this chapter
10 to the department before the close of the business day following the day
11 the wagers are made.

12 (c) The department may require payment under this section to be
13 made by electronic funds transfer (as defined in IC 4-8.1-2-7(e)).

14 (d) If the department requires taxes to be remitted under this chapter
15 through electronic funds transfer, the department may allow the
16 licensed owner to file a monthly report to reconcile the amounts
17 remitted to the department.

18 (e) The department may allow taxes remitted under this section to
19 be reported on the same form used for taxes paid under IC 4-33-12.

20 **(f) Each month the department shall determine the following:**

21 **(1) The amount of taxes imposed by this chapter that are**
22 **remitted by a licensed owner.**

23 **(2) The amount of taxes imposed by this chapter that would**
24 **have been remitted by a licensed owner if the licensed owner's**
25 **adjusted gross receipts received from gambling games**
26 **authorized by this article had been taxed at the rate of twenty**
27 **percent (20%).**

28 **(3) The result of the subdivision (2) amount multiplied by**
29 **twenty-five percent (25%).**

30 **(4) The result of the subdivision (2) amount multiplied by**
31 **seventy-five percent (75%).**

32 **(5) The result of the subdivision (1) amount minus the**
33 **subdivision (2) amount.**

34 SECTION 8. IC 4-33-13-5, AS AMENDED BY P.L.273-1999,
35 SECTION 44, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
36 JULY 1, 2002]: Sec. 5. After funds are appropriated under section 4 of
37 this chapter, each month the treasurer of state shall distribute the tax
38 revenue deposited in the state gaming fund under this chapter ~~to the~~
39 ~~following:~~ **as follows:**

40 **(1) Twenty-five percent (25%) of the tax revenue remitted by The**
41 **amount determined under section 1(f)(3) of this chapter for**
42 **each licensed owner shall be paid:**

(A) to the city that is designated as the home dock of the riverboat from which the tax revenue was collected, in the case of a city described in IC 4-33-12-6(b)(1)(A);

(B) in equal shares to the counties described in IC 4-33-1-1(3), in the case of a riverboat whose home dock is on Patoka Lake; or

(C) to the county that is designated as the home dock of the riverboat from which the tax revenue was collected, in the case of a riverboat whose home dock is not in a city described in clause (A) or a county described in clause (B); and

(2) ~~Seventy-five percent (75%) of the tax revenue remitted by~~ **The amount determined under section 1(f)(4) of this chapter** for each licensed owner shall be paid to the build Indiana fund lottery and gaming surplus account.

(3) The amount determined under section 1(f)(5) of this chapter for each licensed owner shall be paid to the residential account of the property tax replacement fund.

SECTION 9. IC 5-2-5-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 7. (a) Except as provided in subsection (c), on request for release or inspection of a limited criminal history, law enforcement agencies may ~~and the department shall~~ do the following:

(1) Require a form, provided by them, to be completed. This form shall be maintained for a period of two (2) years and shall be available to the record subject upon request.

(2) Collect a three dollar (\$3) fee to defray the cost of processing a request for inspection.

(3) Collect a seven dollar (\$7) fee to defray the cost of processing a request for release. ~~However, law enforcement agencies and the department may not charge the fee for requests received from the parent locator service of the child support bureau of the division of family and children.~~

(b) Except as provided in subsection (c), on request for release or inspection of a limited criminal history, the department shall do the following:

(1) Require a form, provided by the department, to be completed. This form shall be maintained for a period of two (2) years and shall be available to the record subject upon request.

(2) Collect fees set by rule to defray the cost of processing a request for release or inspection.

(c) Law enforcement agencies and the department shall edit

information so that the only information released or inspected is information which:

(1) has been requested; and

(2) is limited criminal history information.

~~(c)~~ **(d)** The fee required under subsection (a) **or (b)** shall be waived if the request is from the:

(1) institute for conviction information that will be used to establish or update the sex and violent offender registry under IC 5-2-12; **or**

(2) parent locator service of the child support bureau of the division of family and children.

SECTION 10. IC 6-1.1-3-7.5, AS AMENDED BY P.L.198-2001, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 7.5. (a) A taxpayer may file an amended personal property tax return, in conformity with the rules adopted by the state board of tax commissioners (before the board was abolished) or the department of local government finance, not more than six (6) months after the later of the following:

(1) The filing date for the original personal property tax return, if the taxpayer is not granted an extension in which to file under section 7 of this chapter.

(2) The extension date for the original personal property tax return, if the taxpayer is granted an extension under section 7 of this chapter.

(b) A tax adjustment related to an amended personal property tax return shall be made in conformity with rules adopted under IC 4-22-2 by the state board of tax commissioners (before the board was abolished) or the department of local government finance.

(c) If a taxpayer wishes to correct an error made by the taxpayer on the taxpayer's original personal property tax return, the taxpayer must file an amended personal property tax return under this section within the time required by subsection (a). A taxpayer may claim on an amended personal property tax return any adjustment or exemption that would have been allowable under any statute or rule adopted by the state board of tax commissioners (before the board was abolished) or the department of local government finance if the adjustment or exemption had been claimed on the original personal property tax return.

(d) Notwithstanding any other provision, if:

(1) a taxpayer files an amended personal property tax return under this section in order to correct an error made by the taxpayer on the taxpayer's original personal property tax return; and

(2) the taxpayer is entitled to a refund of personal property taxes paid by the taxpayer under the original personal property tax return;

the taxpayer is not entitled to interest on the refund.

(e) If a taxpayer files an amended personal property tax return for a year before July 16 of that year, the taxpayer shall pay taxes payable in the immediately succeeding year based on the assessed value reported on the amended return.

(f) If a taxpayer files an amended personal property tax return for a year after July 15 of that year, the taxpayer shall pay taxes payable in the immediately succeeding year based on the assessed value reported on the taxpayer's original personal property tax return. A taxpayer that paid taxes under this subsection is entitled to a credit in the amount of taxes paid by the taxpayer on the remainder of:

(1) the assessed value reported on the taxpayer's original personal property tax return; minus

(2) the finally determined assessed value that results from the filing of the taxpayer's amended personal property tax return.

Except as provided in subsection (k), the county auditor shall apply the credit against the taxpayer's property taxes on personal property payable in the year that immediately succeeds the year in which the taxes were paid.

(g) If the amount of the credit to which the taxpayer is entitled under subsection (f) exceeds the amount of the taxpayer's property taxes on personal property payable in the year that immediately succeeds the year in which the taxes were paid, the county auditor shall apply the amount of the excess credit against the taxpayer's property taxes on personal property in the next succeeding year.

(h) Not later than December 31 of the year in which a credit is applied under subsection (g), the county auditor shall refund to the taxpayer the amount of any excess credit that remains after application of the credit under subsection (g).

(i) The taxpayer is not required to file an application for:

(1) a credit under subsection (f) or (g); or

(2) a refund under subsection (h).

(j) Before August 1 of each year, the county auditor shall provide to each taxing unit in the county an estimate of the total amount of the credits under subsection (f) or (g) that will be applied against taxes imposed by the taxing unit that are payable in the immediately succeeding year.

(k) A county auditor may refund a credit amount to a taxpayer before the time the credit would otherwise be applied against property

1 tax payments under this section.

2 (l) The county auditor shall report to the department of state
3 revenue any refund or credit to a taxpayer made under this section
4 resulting from a reduction of the amount of an assessment of
5 business personal property (as defined in IC 6-1.1-21-2).

6 SECTION 11. IC 6-1.1-3-22 IS ADDED TO THE INDIANA CODE
7 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
8 JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 22. (a) Except to the**
9 **extent that the rule specifically conflicts with a statute, tangible**
10 **personal property subject to this chapter shall be assessed on the**
11 **assessment dates in calendar years 2002 and thereafter in**
12 **conformity with 50 IAC 4.2 (as in effect January 1, 2001). The**
13 **publisher of the Indiana Administrative Code shall continue to**
14 **publish 50 IAC 4.2 (as in effect January 1, 2001) in the Indiana**
15 **Administrative Code.**

16 (b) A taxpayer that filed a personal property tax return under
17 this chapter for the 2002 assessment date based on assessment of
18 the taxpayer's personal property in conformity with 50 IAC 4.3
19 shall file an amended personal property tax return that reflects the
20 assessment of that personal property in conformity with 50 IAC 4.2
21 as required by this section. Notwithstanding any other law as to the
22 due dates for amended personal property tax returns, the
23 department of local government finance shall establish the due
24 dates and prescribe the forms for the amended returns required by
25 this subsection.

26 (c) Civil taxing units and school corporations shall use the
27 assessed value resulting from amended personal property tax
28 returns filed under this section in determining budgets, rates, and
29 levies for the 2003 calendar year.

30 SECTION 12. IC 6-1.1-8-44 IS ADDED TO THE INDIANA CODE
31 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
32 JANUARY 1, 2002 (RETROACTIVE)]: **Sec. 44. (a) Except to the**
33 **extent that the rule specifically conflicts with a statute, tangible**
34 **personal property of a public utility subject to this chapter shall be**
35 **assessed on the assessment dates in calendar years 2002 and**
36 **thereafter in conformity with:**

37 (1) 50 IAC 5.1 (as in effect January 1, 2001); and

38 (2) 50 IAC 4.2 (as in effect January 1, 2001), to the extent it is
39 not in conflict with 50 IAC 5.1 (as in effect January 1, 2001).

40 The publisher of the Indiana Administrative Code shall continue
41 to publish 50 IAC 5.1 (as in effect January 1, 2001) and 50 IAC 4.2
42 (as in effect January 1, 2001) in the Indiana Administrative Code.

(b) A public utility that filed a statement under section 19 of this chapter for the 2002 assessment date based on assessment of the public utility's personal property in conformity with 50 IAC 5.2 and 50 IAC 4.3 shall file an amended statement that reflects the assessment of that personal property in conformity with 50 IAC 5.1 and 50 IAC 4.2 as required by this section. Notwithstanding any other law as to the due dates for statements filed under section 19 of this chapter, the department of local government finance shall establish the due dates and prescribe the forms for the amended statements required by this subsection.

(c) Civil taxing units and school corporations shall use the assessed value resulting from amended statements filed under this section in determining budgets, rates, and levies for the 2003 calendar year.

SECTION 13. IC 6-1.1-12-37, AS AMENDED BY P.L.291-2001, SECTION 142, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 37. (a) Each year a person who is entitled to receive the homestead credit provided under IC 6-1.1-20.9 for property taxes payable in the following year is entitled to a standard deduction from the assessed value of the real property, mobile home not assessed as real property, or manufactured home not assessed as real property that qualifies for the homestead credit. The auditor of the county shall record and make the deduction for the person qualifying for the deduction.

(b) Except as provided in section 40.5 of this chapter, the total amount of the deduction that a person may receive under this section for a particular year is the lesser of:

(1) one-half (1/2) of the assessed value of the real property, mobile home not assessed as real property, or manufactured home not assessed as real property; or

(2) ~~six~~ **twenty-five** thousand dollars ~~(\$6,000)~~ **(\$25,000)**.

(c) A person who has sold real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property to another person under a contract that provides that the contract buyer is to pay the property taxes on the real property, mobile home, or manufactured home may not claim the deduction provided under this section with respect to that real property, mobile home, or manufactured home.

SECTION 14. IC 6-1.1-15-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 11. If a review or appeal authorized under this chapter results in a reduction of the amount of an assessment or if the ~~state board of tax commissioners~~

department of local government finance on its own motion reduces an assessment, the taxpayer is entitled to a credit in the amount of any overpayment of tax on the next successive tax installment, if any, due in that year. If, after the credit is given, a further amount is due the taxpayer, he may file a claim for the amount due. If the claim is allowed by the board of county commissioners, the county auditor shall, without an appropriation being required, pay the amount due the taxpayer. The county auditor shall charge the amount refunded to the taxpayer against the accounts of the various taxing units to which the overpayment has been paid. **The county auditor shall report to the department of state revenue any refund or credit to a taxpayer made under this section resulting from a reduction of the amount of an assessment of business personal property (as defined in IC 6-1.1-21-2).**

SECTION 15. IC 6-1.1-18.5-2, AS AMENDED BY P.L.198-2001, SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) This subsection applies to a calendar year ending before January 1, 2006. As used in this section, "Indiana personal income" means the estimate of total personal income for Indiana in a calendar year as computed by the federal Bureau of Economic Analysis using any actual data for the calendar year and any estimated data determined appropriate by the federal Bureau of Economic Analysis.

(b) For purposes of determining a civil taxing unit's maximum permissible ad valorem property tax levy for an ensuing calendar year, the civil taxing unit shall use the assessed value growth quotient determined in the last STEP of the following STEPS:

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the civil taxing unit's total assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Determine the greater of the result computed in STEP THREE or one and five-hundredths (1.05).

STEP FIVE: Determine the lesser of the result computed in STEP

FOUR or one and one-tenth (1.1):

(b) This subsection applies to a calendar year beginning after December 31, 2005. For purposes of determining a civil taxing unit's maximum permissible ad valorem property tax levy for an ensuing calendar year, the civil taxing unit shall use the assessed value growth quotient determined in the last STEP of the following STEPS:

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective:

STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the civil taxing unit's total unadjusted assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total unadjusted assessed value of all taxable property in the calendar year immediately preceding the particular calendar year:

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3):

STEP FOUR: Determine the greater of the result computed in STEP THREE or one and five-hundredths (1.05):

STEP FIVE: Determine the lesser of the result computed in STEP FOUR or one and one-tenth (1.1):

(c) This subsection applies to a calendar year ending before January 1, 2006. If the assessed values of taxable property used in determining a civil taxing unit's property taxes that are first due and payable in a particular calendar year are significantly increased over the assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that civil taxing unit's real property, then for purposes of determining that civil taxing unit's assessed value growth quotient for an ensuing calendar year, the department of local government finance shall replace the quotient described in STEP TWO of subsection (a) for that particular calendar year. The department of local government finance shall replace that quotient with one that as accurately as possible will reflect the actual growth in the civil taxing unit's assessed values of real property from the immediately preceding calendar year to that particular calendar year:

(d) This subsection applies to a calendar year beginning after December 31, 2005. If the unadjusted assessed values of taxable property used in determining a civil taxing unit's property taxes that are first due and payable in a particular calendar year are significantly

increased over the unadjusted assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that civil taxing unit's real property; then for purposes of determining that civil taxing unit's assessed value growth quotient for an ensuing calendar year, the department of local government finance shall replace the quotient described in STEP TWO of subsection (b) for that particular calendar year. The department of local government finance shall replace that quotient with one that, as accurately as possible, will reflect the actual growth in the civil taxing unit's unadjusted assessed values of real property from the immediately preceding calendar year to that particular calendar year.

STEP ONE: For each of the six (6) calendar years immediately preceding the year in which a budget is adopted under IC 6-1.1-17-5 for the ensuing calendar year, divide the Indiana personal income for the calendar year by the Indiana personal income for the calendar year immediately preceding that calendar year, rounding to the nearest one-thousandth (0.001).

STEP TWO: Determine the sum of the STEP ONE results.

STEP THREE: Divide the STEP TWO result by six (6), rounding to the nearest one-thousandth (0.001).

STEP FOUR: Determine the lesser of the following:

(A) The STEP THREE quotient.

(B) One and six-hundredths (1.06).

SECTION 16. IC 6-1.1-18.5-3, AS AMENDED BY P.L.151-2001, SECTION 4, AND AS AMENDED BY P.L.198-2001, SECTION 53, IS AMENDED AND CORRECTED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) Except as otherwise provided in this chapter *and IC 6-3.5-8-12*, a civil taxing unit that is treated as not being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, that was used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of subsection (b) for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in *either* the last STEP of section ~~2 2(a)~~ **2(b)** of this chapter. *for calendar years ending before January 1,*

2006, or the last STEP of section 2(b) of this chapter for calendar years beginning after December 31, 2005.

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient (rounded to the nearest ten-thousandth), of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year, divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

(b) Except as otherwise provided in this chapter *and IC 6-3.5-8-12*, a civil taxing unit that is treated as being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of this subsection for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in ~~either~~ the last STEP of section ~~2 2(a)~~ **2(b)** of this chapter. *for calendar years ending before January 1, 2006, or the last STEP of section 2(b) of this chapter for calendar years beginning after December 31, 2005.*

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding

1 calendar year.

2 STEP FOUR: Determine the greater of the amount determined in

3 STEP THREE or one (1).

4 STEP FIVE: Multiply the amount determined in STEP TWO by

5 the amount determined in STEP FOUR.

6 STEP SIX: Add the amount determined under STEP TWO to the

7 amount determined under subsection (c).

8 STEP SEVEN: Determine the greater of the amount determined

9 under STEP FIVE or the amount determined under STEP SIX.

10 STEP EIGHT: Subtract the amount determined under STEP FIVE

11 of subsection (e) from the amount determined under STEP

12 SEVEN of this subsection.

13 (c) If a civil taxing unit in the immediately preceding calendar year

14 provided an area outside its boundaries with services on a contractual

15 basis and in the ensuing calendar year that area has been annexed by

16 the civil taxing unit, the amount to be entered under STEP SIX of

17 subsection (a) or STEP SIX of subsection (b), as the case may be,

18 equals the amount paid by the annexed area during the immediately

19 preceding calendar year for services that the civil taxing unit must

20 provide to that area during the ensuing calendar year as a result of the

21 annexation. In all other cases, the amount to be entered under STEP

22 SIX of subsection (a) or STEP SIX of subsection (b), as the case may

23 be, equals zero (0).

24 (d) This subsection applies only to civil taxing units located in a

25 county having a county adjusted gross income tax rate for resident

26 county taxpayers (as defined in IC 6-3.5-1.1-1) of one percent (1%) as

27 of January 1 of the ensuing calendar year. For each civil taxing unit, the

28 amount to be added to the amount determined in subsection (e), STEP

29 FOUR, is determined using the following formula:

30 STEP ONE: Multiply the civil taxing unit's maximum permissible

31 ad valorem property tax levy for the preceding calendar year by

32 two percent (2%).

33 STEP TWO: For the determination year, the amount to be used as

34 the STEP TWO amount is the amount determined in subsection

35 (f) for the civil taxing unit. For each year following the

36 determination year the STEP TWO amount is the lesser of:

37 (A) the amount determined in STEP ONE; or

38 (B) the amount determined in subsection (f) for the civil taxing

39 unit.

40 STEP THREE: Determine the greater of:

41 (A) zero (0); or

42 (B) the civil taxing unit's certified share for the ensuing

- 1 calendar year minus the greater of:
- 2 (i) the civil taxing unit's certified share for the calendar year
- 3 that immediately precedes the ensuing calendar year; or
- 4 (ii) the civil taxing unit's base year certified share.
- 5 STEP FOUR: Determine the greater of:
- 6 (A) zero (0); or
- 7 (B) the amount determined in STEP TWO minus the amount
- 8 determined in STEP THREE.
- 9 Add the amount determined in STEP FOUR to the amount determined
- 10 in subsection (e), STEP THREE, as provided in subsection (e), STEP
- 11 FOUR.
- 12 (e) For each civil taxing unit, the amount to be subtracted under
- 13 subsection (b), STEP EIGHT, is determined using the following
- 14 formula:
- 15 STEP ONE: Determine the lesser of the civil taxing unit's base
- 16 year certified share for the ensuing calendar year, as determined
- 17 under section 5 of this chapter, or the civil taxing unit's certified
- 18 share for the ensuing calendar year.
- 19 STEP TWO: Determine the greater of:
- 20 (A) zero (0); or
- 21 (B) the remainder of:
- 22 (i) the amount of federal revenue sharing money that was
- 23 received by the civil taxing unit in 1985; minus
- 24 (ii) the amount of federal revenue sharing money that will be
- 25 received by the civil taxing unit in the year preceding the
- 26 ensuing calendar year.
- 27 STEP THREE: Determine the lesser of:
- 28 (A) the amount determined in STEP TWO; or
- 29 (B) the amount determined in subsection (f) for the civil taxing
- 30 unit.
- 31 STEP FOUR: Add the amount determined in subsection (d),
- 32 STEP FOUR, to the amount determined in STEP THREE.
- 33 STEP FIVE: Subtract the amount determined in STEP FOUR
- 34 from the amount determined in STEP ONE.
- 35 (f) As used in this section, a taxing unit's "determination year"
- 36 means the latest of:
- 37 (1) calendar year 1987, if the taxing unit is treated as being
- 38 located in an adopting county for calendar year 1987 under
- 39 section 4 of this chapter;
- 40 (2) the taxing unit's base year, as defined in section 5 of this
- 41 chapter, if the taxing unit is treated as not being located in an
- 42 adopting county for calendar year 1987 under section 4 of this

chapter; or

(3) the ensuing calendar year following the first year that the taxing unit is located in a county that has a county adjusted gross income tax rate of more than one-half percent (0.5%) on July 1 of that year.

The amount to be used in subsections (d) and (e) for a taxing unit depends upon the taxing unit's certified share for the ensuing calendar year, the taxing unit's determination year, and the county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) that is in effect in the taxing unit's county on July 1 of the year preceding the ensuing calendar year. For the determination year and the ensuing calendar years following the taxing unit's determination year, the amount is the taxing unit's certified share for the ensuing calendar year multiplied by the appropriate factor prescribed in the following table:

COUNTIES WITH A TAX RATE OF 1/2%

	Subsection (e)
Year	Factor
For the determination year and each ensuing calendar year following the determination year	0

COUNTIES WITH A TAX RATE OF 3/4%

	Subsection (e)
Year	Factor
For the determination year and each ensuing calendar year following the determination year	1/2

COUNTIES WITH A TAX RATE OF 1.0%

	Subsection (d)	Subsection (e)
Year	Factor	Factor
For the determination year	1/6	1/3
For the ensuing calendar year following the determination year	1/4	1/3
For the ensuing calendar year following the determination year by two (2) years	1/3	1/3

SECTION 17. IC 6-1.1-18.5-13, AS AMENDED BY P.L.181-2001, SECTION 1, AND AS AMENDED BY P.L.198-2001, SECTION 55, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 13. With respect to an appeal filed under section 12 of this chapter, the local government tax control board may recommend that a civil taxing unit receive any one (1) or more of the following types of relief:

(1) Permission to the civil taxing unit to reallocate the amount set

1 aside as a property tax replacement credit as required by
 2 IC 6-3.5-1.1 for a purpose other than property tax relief. However,
 3 whenever this occurs, the local government tax control board
 4 shall also state the amount to be reallocated.

5 (2) Permission to the civil taxing unit to increase its levy in excess
 6 of the limitations established under section 3 of this chapter, if in
 7 the judgment of the local government tax control board the
 8 increase is reasonably necessary due to increased costs of the civil
 9 taxing unit resulting from annexation, consolidation, or other
 10 extensions of governmental services by the civil taxing unit to
 11 additional geographic areas or persons.

12 (3) Permission to the civil taxing unit to increase its levy in excess
 13 of the limitations established under section 3 of this chapter, if the
 14 local government tax control board finds that the civil taxing unit
 15 needs the increase to meet the civil taxing unit's share of the costs
 16 of operating a court established by statute enacted after December
 17 31, 1973. Before recommending such an increase, the local
 18 government tax control board shall consider all other revenues
 19 available to the civil taxing unit that could be applied for that
 20 purpose. The maximum aggregate levy increases that the local
 21 government tax control board may recommend for a particular
 22 court equals the civil taxing unit's share of the costs of operating
 23 a court for the first full calendar year in which it is in existence.

24 (4) Permission to the civil taxing unit to increase its levy in excess
 25 of the limitations established under section 3 of this chapter, if the
 26 civil taxing unit's average three (3) year growth factor, as
 27 determined in section 2 2(a) (STEP THREE) of this chapter for
 28 calendar years ending before January 1, 2006; or section 2(b)
 29 (STEP THREE) of this chapter for calendar years beginning after
 30 December 31, 2005, exceeds one and one-tenth (1.1). However,
 31 any increase in the amount of the civil taxing unit's levy
 32 recommended by the local government tax control board under
 33 this subdivision may not exceed an amount equal to the remainder
 34 of:

35 (A) the amount of ad valorem property taxes the civil taxing
 36 unit could impose for the ensuing calendar year under section
 37 3 of this chapter if at STEP TWO of subsection (a) or (b), as
 38 the case may be, the amount determined in STEP THREE of
 39 section 2 2(a) of this chapter for calendar years ending before
 40 January 1, 2006; or in STEP THREE of section 2(b) of this
 41 chapter for calendar years beginning after December 31,
 42 2005; is substituted for the amount determined under STEP

FIVE of section 2 2(a) of this chapter for calendar years ending before January 1, 2006; or under STEP FIVE of section 2(b) of this chapter for calendar years beginning after December 31, 2005; minus

(B) the amount of ad valorem property taxes the civil taxing unit could impose under section 3 of this chapter for the ensuing calendar year.

local government tax control board finds that the quotient determined under STEP SIX of the following formula is equal to or greater than one and three-hundredths (1.03):

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the civil taxing unit's total assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the total assessed value of all taxable property of all civil taxing units in the particular calendar year, divided by the total assessed value of all taxable property of all civil taxing units in the calendar year immediately preceding the particular calendar year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Divide the STEP THREE amount by the STEP FIVE amount.

In addition, before the local government tax control board may recommend the relief allowed under this subdivision, the civil taxing unit must show a need for the increased levy because of special circumstances, and the local government tax control board must consider other sources of revenue and other means of relief.

(5) Permission to the civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the civil taxing unit

needs the increase to pay the costs of furnishing fire protection for the civil taxing unit through a volunteer fire department. For purposes of determining a township's need for an increased levy, the local government tax control board shall not consider the amount of money borrowed under IC 36-6-6-14 during the immediately preceding calendar year. However, any increase in the amount of the civil taxing unit's levy recommended by the local government tax control board under this subdivision for the ensuing calendar year may not exceed the lesser of:

(A) ten thousand dollars (\$10,000); or

(B) twenty percent (20%) of:

(i) the amount authorized for operating expenses of a volunteer fire department in the budget of the civil taxing unit for the immediately preceding calendar year; plus

(ii) the amount of any additional appropriations authorized during that calendar year for the civil taxing unit's use in paying operating expenses of a volunteer fire department under ~~IC 6-1-1-18.5; this chapter;~~ minus

(iii) the amount of money borrowed under IC 36-6-6-14 during that calendar year for the civil taxing unit's use in paying operating expenses of a volunteer fire department.

(6) Permission to a civil taxing unit to increase its levy in excess of the limitations established under section 3 of this chapter in order to raise revenues for pension payments and contributions the civil taxing unit is required to make under IC 36-8. The maximum increase in a civil taxing unit's levy that may be recommended under this subdivision for an ensuing calendar year equals the amount, if any, by which the pension payments and contributions the civil taxing unit is required to make under IC 36-8 during the ensuing calendar year exceeds the product of one and one-tenth (1.1) multiplied by the pension payments and contributions made by the civil taxing unit under IC 36-8 during the calendar year that immediately precedes the ensuing calendar year. For purposes of this subdivision, "pension payments and contributions made by a civil taxing unit" does not include that part of the payments or contributions that are funded by distributions made to a civil taxing unit by the state.

(7) Permission to increase its levy in excess of the limitations established under section 3 of this chapter if the local government tax control board finds that:

(A) the township's poor relief ad valorem property tax rate is less than one and sixty-seven hundredths cents (\$0.0167) per

- 1 one hundred dollars (\$100) of assessed valuation; and
- 2 (B) the township needs the increase to meet the costs of
- 3 providing poor relief under IC 12-20 and IC 12-30-4.
- 4 The maximum increase that the board may recommend for a
- 5 township is the levy that would result from an increase in the
- 6 township's poor relief ad valorem property tax rate of one and
- 7 sixty-seven hundredths cents (\$0.0167) per one hundred dollars
- 8 (\$100) of assessed valuation minus the township's ad valorem
- 9 property tax rate per one hundred dollars (\$100) of assessed
- 10 valuation before the increase.
- 11 (8) Permission to a civil taxing unit to increase its levy in excess of
- 12 the limitations established under section 3 of this chapter if:
- 13 (A) the increase has been approved by the legislative body of
- 14 the municipality with the largest population where the civil
- 15 taxing unit provides public transportation services; and
- 16 (B) the local government tax control board finds that the civil
- 17 taxing unit needs the increase to provide adequate public
- 18 transportation services.
- 19 The local government tax control board shall consider tax rates and
- 20 levies in civil taxing units of comparable population, and the effect
- 21 (if any) of a loss of federal or other funds to the civil taxing unit
- 22 that might have been used for public transportation purposes.
- 23 However, the increase that the board may recommend under this
- 24 subdivision for a civil taxing unit may not exceed the revenue that
- 25 would be raised by the civil taxing unit based on a property tax rate
- 26 of one cent (\$0.01) per one hundred dollars (\$100) of assessed
- 27 valuation.
- 28 (9) Permission to a civil taxing unit to increase the unit's levy in
- 29 excess of the limitations established under section 3 of this chapter
- 30 if the local government tax control board finds that:
- 31 (A) the civil taxing unit is:
- 32 (i) a county having a population of more than one hundred
- 33 twenty-nine thousand (129,000) but less than one hundred
- 34 thirty thousand six hundred (130,600);
- 35 (ii) a city having a population of more than forty-three
- 36 thousand seven hundred (43,700) but less than forty-four
- 37 thousand (44,000);
- 38 (iii) a city having a population of more than twenty-five
- 39 thousand five hundred (25,500) but less than twenty-six
- 40 thousand (26,000);
- 41 (iv) a city having a population of more than fifteen thousand
- 42 three hundred fifty (15,350) but less than fifteen thousand

- 1 five hundred seventy (15,570); or
- 2 (v) a city having a population of more than five thousand six
- 3 hundred fifty (5,650) but less than five thousand seven
- 4 hundred eight (5,708); and
- 5 (B) the increase is necessary to provide funding to undertake
- 6 removal (as defined in ~~IC 13-7-8.7-1~~ IC 13-11-2-187) and
- 7 remedial action (as defined in ~~IC 13-7-8.7-1~~ IC 13-11-2-185)
- 8 relating to hazardous substances (as defined in ~~IC 13-7-8.7-1~~
- 9 IC 13-11-2-98) in solid waste disposal facilities or industrial
- 10 sites in the civil taxing unit that have become a menace to the
- 11 public health and welfare.
- 12 The maximum increase that the local government tax control board
- 13 may recommend for such a civil taxing unit is the levy that would
- 14 result from a property tax rate of six and sixty-seven hundredths
- 15 cents (\$0.0667) for each one hundred dollars (\$100) of assessed
- 16 valuation. For purposes of computing the ad valorem property tax
- 17 levy limit imposed on a civil taxing unit under section 3 of this
- 18 chapter, the civil taxing unit's ad valorem property tax levy for a
- 19 particular year does not include that part of the levy imposed under
- 20 this subdivision. In addition, a property tax increase permitted
- 21 under this subdivision may be imposed for only two (2) calendar
- 22 years.
- 23 (10) Permission for a county having a population of more than
- 24 seventy-eight thousand (78,000) but less than eighty-five thousand
- 25 (85,000) to increase the county's levy in excess of the limitations
- 26 established under section 3 of this chapter, if the local government
- 27 tax control board finds that the county needs the increase to meet
- 28 the county's share of the costs of operating a jail or juvenile
- 29 detention center, including expansion of the facility, if the jail or
- 30 juvenile detention center is opened after December 31, 1991.
- 31 Before recommending an increase, the local government tax
- 32 control board shall consider all other revenues available to the
- 33 county that could be applied for that purpose. An appeal for
- 34 operating funds for a jail or juvenile detention center shall be
- 35 considered individually, if a jail and juvenile detention center are
- 36 both opened in one (1) county. The maximum aggregate levy
- 37 increases that the local government tax control board may
- 38 recommend for a county equals the county's share of the costs of
- 39 operating the jail or juvenile detention center for the first full
- 40 calendar year in which the jail or juvenile detention center is in
- 41 operation.
- 42 (11) Permission for a township to increase its levy in excess of the

limitations established under section 3 of this chapter, if the local government tax control board finds that the township needs the increase so that the property tax rate to pay the costs of furnishing fire protection for a township, or a portion of a township, enables the township to pay a fair and reasonable amount under a contract with the municipality that is furnishing the fire protection. However, for the first time an appeal is granted the resulting rate increase may not exceed fifty percent (50%) of the difference between the rate imposed for fire protection within the municipality that is providing the fire protection to the township and the township's rate. A township is required to appeal a second time for an increase under this subdivision if the township wants to further increase its rate. However, a township's rate may be increased to equal but may not exceed the rate that is used by the municipality. More than one (1) township served by the same municipality may use this appeal.

(12) Permission for a township to increase its levy in excess of the limitations established under section 3 of this chapter, if the local government tax control board finds that the township has been required, for the three (3) consecutive years preceding the year for which the appeal under this subdivision is to become effective, to borrow funds under IC 36-6-6-14 to furnish fire protection for the township or a part of the township. However, the maximum increase in a township's levy that may be allowed under this subdivision is the least of the amounts borrowed under IC 36-6-6-14 during the preceding three (3) calendar years. A particular township may appeal to increase its levy under this section not more frequently than every fourth calendar year.

(13) Permission to a city having a population of more than twenty-three thousand five hundred (23,500) but less than twenty-four thousand (24,000) to increase its levy in excess of the limitations established under section 3 of this chapter if:

(A) an appeal was granted to the city under subdivision (1) in 1998, 1999, and 2000; and

(B) the increase has been approved by the legislative body of the city, and the legislative body of the city has by resolution determined that the increase is necessary to pay normal operating expenses.

The maximum amount of the increase is equal to the amount of property tax replacement credits under IC 6-3.5-1.1 that the city petitioned to have reallocated in 2001 under subdivision (1) for a purpose other than property tax relief.

SECTION 18. IC 6-1.1-20.9-2, AS AMENDED BY P.L.291-2001, SECTION 125, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) Except as otherwise provided in section 5 of this chapter, an individual who on March 1 of a particular year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a credit against the property taxes which the individual pays on the individual's homestead. However, only one (1) individual may receive a credit under this chapter for a particular homestead in a particular year.

(b) The amount of the credit to which the individual is entitled equals the product of:

- (1) the percentage prescribed in subsection (d); multiplied by
- (2) the amount of the individual's property tax liability, as that term is defined in IC 6-1.1-21-5, which is:

(A) attributable to the homestead during the particular calendar year; **and**

(B) determined after the application of the property tax replacement credit under IC 6-1.1-21.

(c) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead, all deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property.

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through 2003 and thereafter	10%
2004 and thereafter	4%

However, the property tax replacement fund board established under IC 6-1.1-21-10, in its sole discretion, may increase the percentage of the credit provided in the schedule for any year, if the board feels that the property tax replacement fund contains enough money for the resulting increased distribution. If the board increases the percentage of the credit provided in the schedule for any year, the percentage of the credit for the immediately following year is the percentage provided in the schedule for that particular year, unless as provided in this subsection the board

in its discretion increases the percentage of the credit provided in the schedule for that particular year. However, the percentage credit allowed in a particular county for a particular year shall be increased if on January 1 of a year an ordinance adopted by a county income tax council was in effect in the county which increased the homestead credit. The amount of the increase equals the amount designated in the ordinance.

(e) Before October 1 of each year, the assessor shall furnish to the county auditor the amount of the assessed valuation of each homestead for which a homestead credit has been properly filed under this chapter.

(f) The county auditor shall apply the credit equally to each installment of taxes that the individual pays for the property.

(g) Notwithstanding the provisions of this chapter, a taxpayer other than an individual is entitled to the credit provided by this chapter if:

- (1) an individual uses the residence as the individual's principal place of residence;
- (2) the residence is located in Indiana;
- (3) the individual has a beneficial interest in the taxpayer;
- (4) the taxpayer either owns the residence or is buying it under a contract, recorded in the county recorder's office, that provides that the individual is to pay the property taxes on the residence; and
- (5) the residence consists of a single-family dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling.

SECTION 19. IC 6-1.1-21-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. (a) There is hereby established a special fund to be known as the "property tax replacement fund".

(b) The following accounts are established in the fund:

- (1) School account.**
- (2) Business account.**
- (3) Residential account.**
- (4) Education rainy day account.**
- (5) Interest account.**
- (6) County treasurer distribution account.**

(c) All taxes or other ~~moneys~~ **money** deposited in the property tax replacement fund, as provided by law, shall be held and distributed in accordance with the provisions of this chapter. **and If money deposited in the property tax replacement fund is not restricted by law for deposit in a particular account, the money shall be deposited in the school account.**

(d) All funds in the property tax replacement fund, remaining after any distribution provided for in this chapter, shall not revert to the

1 general fund of the state but shall constitute a revolving fund for
 2 subsequent distribution for the purposes provided for in this chapter.
 3 Any amount earned on moneys deposited in the property tax
 4 replacement fund shall ~~remain in and become part be deposited in the~~
 5 **interest account** of the property tax replacement fund.

6 SECTION 20. IC 6-1.1-21-2 IS AMENDED TO READ AS
 7 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. As used in this
 8 chapter:

9 (a) "Taxpayer" means a person who is liable for taxes on property
 10 assessed under this article.

11 (b) "Taxes": ~~means~~

12 **(1) before January 1, 2003, refers to taxes payable in respect to**
 13 **tangible property assessed under this article; and**

14 **(2) after December 31, 2002, refers to taxes payable in respect**
 15 **to:**

16 **(A) tangible property assessed under this article whenever**
 17 **the term applies to a general school operating levy; and**

18 **(B) tangible property assessed under this article, excluding**
 19 **business personal property, whenever the term applies to a**
 20 **total county tax levy.**

21 The term does not include special assessments, penalties, or interest, but
 22 does include any special charges which a county treasurer combines
 23 with all other taxes in the preparation and delivery of the tax statements
 24 required under IC 6-1.1-22-8(a).

25 (c) "Department" means the department of state revenue.

26 (d) "Auditor's abstract" means the annual report prepared by each
 27 county auditor which under IC 6-1.1-22-5, is to be filed on or before
 28 March 1 of each year with the auditor of state.

29 (e) "Mobile home assessments" means the assessments of mobile
 30 homes made under IC 6-1.1-7.

31 (f) "Postabstract adjustments" means adjustments in taxes made
 32 subsequent to the filing of an auditor's abstract which change
 33 assessments therein or add assessments of omitted property affecting
 34 taxes for such assessment year.

35 (g) "Total county tax levy" means the sum of **the following:**

36 (1) The remainder of:

37 **(A) the aggregate levy of all taxes (other than taxes imposed**
 38 **by a school corporation for a general school operating levy**
 39 **first due and payable after December 31, 2002) for all taxing**
 40 **units in a county which are to be paid in the county for a stated**
 41 **assessment year as reflected by the auditor's abstract for the**
 42 **assessment year, adjusted, however, for any postabstract**

- 1 adjustments which change the amount of the aggregate levy;
2 minus
3 (B) the sum of any increases in property tax levies of taxing
4 units of the county that result from appeals described in:
5 (i) IC 6-1.1-18.5-13(5) and IC 6-1.1-18.5-13(6) filed after
6 December 31, 1982; plus
7 (ii) the sum of any increases in property tax levies of taxing
8 units of the county that result from any other appeals
9 described in IC 6-1.1-18.5-13 filed after December 31, 1983;
10 plus
11 (iii) IC 6-1.1-18.6-3 (children in need of services and
12 delinquent children who are wards of the county); minus
13 (C) the total amount of property taxes imposed for the stated
14 assessment year by the taxing units of the county under the
15 authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed),
16 IC 12-19-5, or IC 12-20-24; minus
17 (D) the total amount of property taxes to be paid during the
18 stated assessment year that will be used to pay for interest or
19 principal due on debt that:
20 (i) is entered into after December 31, 1983;
21 (ii) is not debt that is issued under IC 5-1-5 to refund debt
22 incurred before January 1, 1984; and
23 (iii) does not constitute debt entered into for the purpose of
24 building, repairing, or altering school buildings for which the
25 requirements of IC 20-5-52 were satisfied prior to January 1,
26 1984; minus
27 (E) the amount of property taxes imposed in the county for the
28 stated assessment year under the authority of IC 21-2-6 or any
29 citation listed in IC 6-1.1-18.5-9.8 for a cumulative building
30 fund whose property tax rate was initially established or
31 reestablished for a stated assessment year that succeeds the
32 1983 stated assessment year; minus
33 (F) the remainder of:
34 (i) the total property taxes imposed in the county for the
35 stated assessment year under authority of IC 21-2-6 or any
36 citation listed in IC 6-1.1-18.5-9.8 for a cumulative building
37 fund whose property tax rate was not initially established or
38 reestablished for a stated assessment year that succeeds the
39 1983 stated assessment year; minus
40 (ii) the total property taxes imposed in the county for the
41 1984 stated assessment year under the authority of IC 21-2-6
42 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative

- 1 building fund whose property tax rate was not initially
 2 established or reestablished for a stated assessment year that
 3 succeeds the 1983 stated assessment year; minus
 4 (G) the amount of property taxes imposed in the county for the
 5 stated assessment year under:
 6 (i) IC 21-2-15 for a capital projects fund; plus
 7 (ii) IC 6-1.1-19-10 for a racial balance fund; plus
 8 (iii) IC 20-14-13 for a library capital projects fund; plus
 9 (iv) IC 20-5-17.5-3 for an art association fund; plus
 10 (v) IC 21-2-17 for a special education preschool fund; plus
 11 (vi) an appeal filed under IC 6-1.1-19-5.1 for an increase in
 12 a school corporation's maximum permissible general fund
 13 levy for certain transfer tuition costs; plus
 14 (vii) an appeal filed under IC 6-1.1-19-5.4 for an increase in
 15 a school corporation's maximum permissible general fund
 16 levy for transportation operating costs; minus
 17 (H) the amount of property taxes imposed by a school
 18 corporation that is attributable to the passage, after 1983, of a
 19 referendum for an excessive tax levy under IC 6-1.1-19,
 20 including any increases in these property taxes that are
 21 attributable to the adjustment set forth in IC 6-1.1-19-1.5(a)
 22 STEP ONE or any other law; minus
 23 (I) for each township in the county, the lesser of:
 24 (i) the sum of the amount determined in IC 6-1.1-18.5-19(a)
 25 STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE,
 26 whichever is applicable, plus the part, if any, of the
 27 township's ad valorem property tax levy for calendar year
 28 1989 that represents increases in that levy that resulted from
 29 an appeal described in IC 6-1.1-18.5-13(5) filed after
 30 December 31, 1982; or
 31 (ii) the amount of property taxes imposed in the township for
 32 the stated assessment year under the authority of
 33 IC 36-8-13-4; minus
 34 (J) for each participating unit in a fire protection territory
 35 established under IC 36-8-19-1, the amount of property taxes
 36 levied by each participating unit under IC 36-8-19-8 and
 37 IC 36-8-19-8.5 less the maximum levy limit for each of the
 38 participating units that would have otherwise been available for
 39 fire protection services under IC 6-1.1-18.5-3 and
 40 IC 6-1.1-18.5-19 for that same year; minus
 41 (K) for each county, the sum of:
 42 (i) the amount of property taxes imposed in the county for the

1 repayment of loans under IC 12-19-5-6 that is included in the
 2 amount determined under IC 12-19-7-4(a) STEP SEVEN for
 3 property taxes payable in 1995, or for property taxes payable
 4 in each year after 1995, the amount determined under
 5 IC 12-19-7-4(b); and

6 (ii) the amount of property taxes imposed in the county
 7 attributable to appeals granted under IC 6-1.1-18.6-3 that is
 8 included in the amount determined under IC 12-19-7-4(a)
 9 STEP SEVEN for property taxes payable in 1995, or the
 10 amount determined under IC 12-19-7-4(b) for property taxes
 11 payable in each year after 1995. ~~plus~~

12 (2) All taxes to be paid in the county in respect to mobile home
 13 assessments currently assessed for the year in which the taxes
 14 stated in the abstract are to be paid ~~plus~~ **multiplied by a number.**
 15 **Before January 1, 2003, the number is one (1). After December**
 16 **31, 2002, the number is a fraction. The numerator of the**
 17 **fraction is the amount determined under subdivision (1), and**
 18 **the denominator of the fraction is the sum of the amount**
 19 **determined under subdivision (1) plus the general school**
 20 **operating levies imposed in the county.**

21 (3) The amounts, if any, of county adjusted gross income taxes that
 22 were applied by the taxing units in the county as property tax
 23 replacement credits to reduce the ~~individual levies taxes~~ of the
 24 taxing units for the assessment year ~~as provided in under~~
 25 IC 6-3.5-1.1.

26 (4) The amounts, if any, by which the maximum permissible ad
 27 valorem property tax levies of the taxing units of the county were
 28 reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated
 29 assessment year; plus

30 (5) the difference between:

31 (A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR;
 32 minus

33 (B) the amount the civil taxing units' levies were increased
 34 because of the reduction in the civil taxing units' base year
 35 certified shares under IC 6-1.1-18.5-3(e).

36 (h) "December settlement sheet" means the certificate of settlement
 37 filed by the county auditor with the auditor of state, as required under
 38 IC 6-1.1-27-3.

39 (i) "Tax duplicate" means the roll of property taxes which each
 40 county auditor is required to prepare on or before March 1 of each year
 41 under IC 6-1.1-22-3.

42 (j) "General school operating levy" means the following:

(1) The aggregate levy of all taxes subject to the maximum general fund ad valorem property tax levy limitation imposed under IC 6-1.1-19-1.5 for all school corporations in a county that are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year (adjusted for any postabstract adjustments which change the amount of the aggregate levy), minus the sum of the following:

(A) Property taxes imposed by a school corporation that are attributable to the passage, after 1983, of a referendum for an excessive tax levy under IC 6-1.1-19, including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5(a) STEP ONE or any other law.

(B) Property taxes imposed as a result of an appeal filed under IC 6-1.1-19-5.1 for an increase in a school corporation's maximum permissible general fund levy for certain transfer tuition costs.

(C) Property taxes imposed as a result of an appeal filed under IC 6-1.1-19-5.4 for an increase in a school corporation's maximum permissible general fund levy for transportation operating costs.

(2) All taxes to be paid in the county in respect to mobile home assessments currently assessed for the year in which the taxes stated in the abstract are to be paid multiplied by a fraction. The numerator of the fraction is the amount determined under subdivision (1). The denominator of the fraction is the sum of the amount determined for the county under subsection (g)(1) plus the amount determined under subdivision (1).

(k) "General school operating levies replacement amount" is equal to one hundred percent (100%) of the taxes imposed in the county for general school operating levies.

(l) "Business personal property" means tangible property (other than real property) that is being:

(1) held for sale in the ordinary course of a trade or business;
or

(2) held, used, or consumed in connection with the production of income.

(m) "Combined business group" means:

(1) an affiliated group that files a consolidated return under IC 6-2.1-5-5 or IC 6-3-4-14; or

(2) a partnership, joint venture, or pool, regardless of the number of partners or participants in the organization.

(n) "Net ad valorem property taxes", for purposes of section 13 of this chapter, means the amount of property taxes first due and payable and paid by a taxpayer for a particular calendar year after the application of all property tax exemptions, property tax deductions, and property tax credits allowed or allowable to reduce the property tax liability of the taxpayer for the particular calendar year. The term includes property taxes levied in an allocation area (as defined in IC 12-19-1.5-1) that are allocated to a special fund.

SECTION 21. IC 6-1.1-21-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) On or before March 1 of each year, the ~~state board department of tax commissioners~~ **local government finance** shall certify to the department on a form approved by the state board of accounts, an estimate of the **sum of the total county tax levy and the general school operating levies** collectible in that calendar year for each county in the state. The estimate shall be based on the tax collections for the preceding calendar year, adjusted as necessary to reflect the total county tax levy (as defined in section 2(g) of this chapter) **and general school operating levies** from the budgets, tax levies, and rates as finally determined and acted upon by the ~~state board department of tax commissioners~~ **local government finance**. The department, with the assistance of the auditor of state, shall determine on the basis of the report an amount equal to **the sum of twenty thirty-nine percent (20%) (39%)** of the total county tax levy **and one hundred percent (100%) of the general school operating levies for the calendar year**, which is the estimated property tax replacement.

(b) In the same report containing the estimate of a county's total county tax levy, the ~~state board department of tax commissioners~~ **local government finance** shall also certify the amount of homestead credits provided under IC 6-1.1-20.9 which are allowed by the county for the particular calendar year.

(c) If there are one (1) or more taxing districts in the county that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter, the ~~state board department of tax commissioners~~ **local government finance** shall estimate an additional distribution for the county in the same report required under subsection (a). This additional distribution equals the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

STEP ONE: Estimate that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter **and the general**

- 1 **school operating levies** that is attributable to the taxing district.
- 2 STEP TWO: Divide:
- 3 (A) that part of the estimated property tax replacement
- 4 determined under subsection (a) that is attributable to the taxing
- 5 district; by
- 6 (B) the STEP ONE sum.
- 7 STEP THREE: Multiply:
- 8 (A) the STEP TWO quotient; times
- 9 (B) the property taxes levied in the taxing district that are
- 10 allocated to a special fund under IC 6-1.1-39-5.
- 11 (d) The sum of the amounts determined under subsections (a)
- 12 through (c) is the particular county's estimated distribution for the
- 13 calendar year.
- 14 SECTION 22. IC 6-1.1-21-3.5 IS ADDED TO THE INDIANA
- 15 CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
- 16 JULY 1, 2002]: **Sec. 3.5. (a) Not later than the twentieth day of each**
- 17 **month, the department shall determine the amount that must be**
- 18 **transferred from the business account and the residential account**
- 19 **to the county treasurer distribution account to make the**
- 20 **distributions required under section 4 of this chapter in the**
- 21 **following month.**
- 22 (b) Before January 1, 2003, the amount transferred from the
- 23 business account must be equal to the sum of the distributions
- 24 attributable to twenty percent (20%) of each county's total county
- 25 tax levy payable that year by taxpayers for tangible property:
- 26 (1) held for sale in the ordinary course of a trade or business;
- 27 (2) being held or used in connection with the production of
- 28 income; or
- 29 (3) held for investment.
- 30 (c) After December 31, 2002, the amount transferred from the
- 31 business account must be equal to the sum of the following:
- 32 (1) The amount of the distribution attributable to the sum of
- 33 thirty-nine percent (39%) of each county's total county tax levy
- 34 plus one hundred percent (100%) of each county's general
- 35 school operating levies payable that year on real property that
- 36 is:
- 37 (A) being held or used in connection with the production of
- 38 income; or
- 39 (B) held for sale in the ordinary course of a trade or
- 40 business.
- 41 (2) The amount of the distribution attributable to the sum of
- 42 thirty-nine percent (39%) of each county's total county tax levy

plus one hundred percent (100%) of each county's general school operating levies payable that year on tangible property that is held for investment.

(3) The amount of the distribution attributable to the total amount for each county that has one (1) or more taxing districts that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter. This total amount is the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

STEP ONE: Determine that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter and the general school operating levies that is attributable to the taxing district.

STEP TWO: Divide:

- (i) that part of the amount under section 4(a)(1) of this chapter that is attributable to the taxing district; by
- (ii) the STEP ONE sum.

STEP THREE: Multiply:

- (i) the STEP TWO quotient; by
- (ii) the property taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

(d) Before January 1, 2003, the amount transferred from the residential account must be equal to the sum of the distributions attributable to twenty percent (20%) of each county's total county tax levy payable that year by taxpayers for tangible property that is not:

- (1) held for sale in the ordinary course of a trade or business;
- (2) being held or used in connection with the production of income; or
- (3) held for investment.

(e) After December 31, 2002, the amount transferred from the residential account must be equal to the sum of the following:

- (1) The amount of the distribution attributable to the total amount of homestead tax credits that are provided under IC 6-1.1-20.9 and allowed by each county for that year.
- (2) The amount of the distribution attributable to thirty-nine percent (39%) of each county's total county tax levy plus one hundred percent (100%) of each county's general school operating levies payable that year to taxpayers for noncommercial residential real property. This subdivision

excludes apartments and other residential real property that are:

(A) held for sale in the ordinary course of a trade or business;

(B) being held or used in connection with the production of income; or

(C) being held as an investment.

(3) Subject to section 11 of this chapter, the amount of the distribution attributable to thirty-nine percent (39%) of each county's total county tax levy plus one hundred percent (100%) of each county's general school operating levies of the taxes payable with respect to the assessments for taxes payable in a particular year with respect to mobile homes that are assessed under IC 6-1.1-7.

(4) The amount of the distribution attributable to thirty-nine percent (39%) of each county's total county tax levy plus one hundred percent (100%) of each county's general school operating levies payable that year to taxpayers for tangible personal property that is not:

(A) held for sale in the ordinary course of a trade or business;

(B) being held, used, or consumed in connection with the production of income; or

(C) being held as an investment.

(f) The department shall immediately notify the treasurer of state to transfer the amounts determined under this section. Upon receiving the transfer notice, the treasurer of state shall transfer a sufficient amount from the business account and the residential account to the county treasurer distribution account to make the distributions required under section 4 of this chapter in the following month. There is annually appropriated the amount necessary to make the transfers from the business account and residential account to the county treasurer distribution account that are required by this section.

SECTION 23. IC 6-1.1-21-3.6 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3.6. Not later than December 31, 2003, and December 31 in each calendar year thereafter, the department shall estimate the amount that:

(1) was deposited in the business account in the calendar year; and

(2) is not needed (after considering an estimate of all deposits

that will be made in the business account in the following calendar year) to make distributions under section 3.5 of this chapter in the ensuing calendar year.

The amount shall be reserved for the payment of refunds under section 13 of this chapter in the ensuing calendar year for ad valorem property taxes paid on business personal property in the current calendar year.

SECTION 24. IC 6-1.1-21-3.8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: **Sec. 3.8. Not later than December 31, 2002, and December 31 in each calendar year thereafter, the department shall transfer from the school account to the education rainy day account the amount that the department determines:**

(1) was deposited in the school account in the calendar year; and

(2) is not needed (after considering an estimate of all deposits that will be made in the school account in the following calendar year) to make tuition support distributions under IC 21-3 in the ensuing calendar year.

Money in the education rainy day account shall be reserved to provide money for tuition support distributions under IC 21-3 in years when revenues collected by the state fail to meet the forecasted projections used by the budget agency in determining allotments under IC 4-13-2-8 or during other financial emergencies declared by law.

SECTION 25. IC 6-1.1-21-4, AS AMENDED BY P.L.198-2001, SECTION 59, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) Each year the department shall allocate from the **county treasurer distribution account of the** property tax replacement fund an amount equal to the sum of:

(1) ~~twenty thirty-nine percent (20%)~~ **(39%)** of each county's total county tax levy payable that year; ~~plus~~

(2) the total amount of homestead tax credits that are provided under IC 6-1.1-20.9 and allowed by each county for that year; ~~plus~~

(3) one hundred percent (100%) of the general school operating levies payable that year; plus

~~(3)~~ **(4)** an amount for each county that has one (1) or more taxing districts that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter.

This amount is the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

1 STEP ONE: Determine that part of the sum of the amounts
 2 under section 2(g)(1)(A) and 2(g)(2) of this chapter **and the**
 3 **general school operating levies** that is attributable to the
 4 taxing district.

5 STEP TWO: Divide:

6 (A) that part of the subdivision (1) amount that is attributable
 7 to the taxing district; by

8 (B) the STEP ONE sum.

9 STEP THREE: Multiply:

10 (A) the STEP TWO quotient; times

11 (B) the property taxes levied in the taxing district that are
 12 allocated to a special fund under IC 6-1.1-39-5.

13 (b) Except as provided in subsection (e), between March 1 and
 14 August 31 of each year, the department shall distribute to each county
 15 treasurer from the property tax replacement fund one-half (1/2) of the
 16 estimated distribution for that year for the county. Between September
 17 1 and December 15 of that year, the department shall distribute to each
 18 county treasurer from the property tax replacement fund the remaining
 19 one-half (1/2) of each estimated distribution for that year. The amount
 20 of the distribution for each of these periods shall be according to a
 21 schedule determined by the property tax replacement fund board under
 22 section 10 of this chapter. The estimated distribution for each county
 23 may be adjusted from time to time by the department to reflect any
 24 changes in the total county tax levy upon which the estimated
 25 distribution is based.

26 (c) On or before December 31 of each year or as soon thereafter as
 27 possible, the department shall make a final determination of the amount
 28 which should be distributed from the property tax replacement fund to
 29 each county for that calendar year. This determination shall be known
 30 as the final determination of distribution. The department shall distribute
 31 to the county treasurer or receive back from the county treasurer any
 32 deficit or excess, as the case may be, between the sum of the
 33 distributions made for that calendar year based on the estimated
 34 distribution and the final determination of distribution. The final
 35 determination of distribution shall be based on the auditor's abstract
 36 filed with the auditor of state, adjusted for postabstract adjustments
 37 included in the December settlement sheet for the year, and such
 38 additional information as the department may require.

39 (d) All distributions provided for in this section shall be made on
 40 warrants issued by the auditor of state drawn on the treasurer of state. If
 41 the amounts allocated by the department from the property tax
 42 replacement fund exceed in the aggregate the balance of money in the

fund, then the amount of the deficiency shall be transferred from the state general fund to the property tax replacement fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the payment of that amount. However, any amount transferred under this section from the general fund to the property tax replacement fund shall, as soon as funds are available in the property tax replacement fund, be retransferred from the property tax replacement fund to the state general fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the replacement of that amount.

(e) Except as provided in subsection (i), the department shall not distribute under subsection (b) and section 10 of this chapter the money attributable to the county's property reassessment fund if, by the date the distribution is scheduled to be made, the county auditor has not sent a certified statement required to be sent by that date under IC 6-1.1-17-1 to the department of local government finance.

(f) Except as provided in subsection (i), if the elected township assessors in the county, the elected township assessors and the county assessor, or the county assessor has not transmitted to the department of local government finance by October 1 of the year in which the distribution is scheduled to be made the data for all townships in the county required to be transmitted under IC 6-1.1-4-25(b), the ~~state board~~ **department of local government finance** or the department shall not distribute under subsection (b) and section 10 of this chapter a part of the money attributable to the county's property reassessment fund. The portion not distributed is the amount that bears the same proportion to the total potential distribution as the number of townships in the county for which data was not transmitted by August 1 as described in this section bears to the total number of townships in the county.

(g) Money not distributed under subsection (e) shall be distributed to the county when the county auditor sends to the department of local government finance the certified statement required to be sent under IC 6-1.1-17-1 with respect to which the failure to send resulted in the withholding of the distribution under subsection (e).

(h) Money not distributed under subsection (f) shall be distributed to the county when the elected township assessors in the county, the elected township assessors and the county assessor, or the county assessor transmits to the department of local government finance the data required to be transmitted under IC 6-1.1-4-25(b) with respect to which the failure to transmit resulted in the withholding of the distribution under subsection (f).

(i) The restrictions on distributions under subsections (e) and (f) do not apply if the department of local government finance determines that:

(1) the failure of a county auditor to send a certified statement as described in subsection (e); or

(2) the failure of an official to transmit data as described in subsection (f);

is justified by unusual circumstances.

SECTION 26. IC 6-1.1-21-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) Each year the taxpayers of each county shall receive a credit for property tax replacement in the amount of **the sum of twenty thirty-nine percent** ~~(20%)~~ **(39%)** of the tax liability (as defined in this section) **for the total county tax levy and one hundred percent (100%) of the tax liability (as defined in this section) for general school operating levies** of each taxpayer for taxes which under IC 6-1.1-22-9 are due and payable in May and November of that year. The credit shall be applied to each installment of taxes. The dollar amount of the credit for each taxpayer shall be determined by the county auditor, based on data furnished by the ~~state board department of tax commissioners~~ **local government finance**. The tax liability of a taxpayer for the purpose of computing the credit for a particular year shall be based upon the taxpayer's tax liability as is evidenced by the tax duplicate for the taxes payable in that year, plus the amount by which the tax payable by the taxpayer had been reduced due to the application of county adjusted gross income tax revenues to the extent the county adjusted gross income tax revenues were included in the determination of the total county tax levy **or general school operating levies** for that year, ~~as provided in sections 2(g) and 3 of this chapter~~, adjusted, however, for any change in assessed valuation which may have been made pursuant to a post-abstract adjustment if the change is set forth on the tax statement or on a corrected tax statement stating the taxpayer's tax liability, as prepared by the county treasurer in accordance with IC 6-1.1-22-8(a). However, the tax liability of a taxpayer does not include the amount of any property tax owed by the taxpayer that is attributable to that part of any property tax levy subtracted under section 2(g)(1)(B), 2(g)(1)(C), 2(g)(1)(D), 2(g)(1)(E), 2(g)(1)(F), 2(g)(1)(G), (2)(g)(1)(H), 2(g)(1)(I), or 2(g)(1)(J) of this chapter in computing the total county tax levy.

(b) The credit for taxes payable in a particular year with respect to mobile homes which are assessed under IC 6-1.1-7 is **twenty thirty-nine percent** ~~(20%)~~ **(39%)** of the taxes payable with respect to the assessments **relating to levies other than the general school operating levies for the calendar year for assessments for general school operating levies** plus the adjustments stated in this section.

(c) Each taxpayer in a taxing district that contains all or part of an

economic development district that meets the requirements of section 5.5 of this chapter is entitled to an additional credit for property tax replacement. This credit is equal to the product of:

- (1) the STEP TWO quotient determined under section ~~4(a)(3)~~ **4(a)(4)** of this chapter for the taxing district; multiplied by
- (2) the taxpayer's property taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

SECTION 27. IC 6-1.1-21-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 9. (a) On or before October 15 of each year, each county auditor shall, make a settlement with the department as to the aggregate amount of property tax replacement credits extended to taxpayers in the auditor's county during the first eight (8) months of that same year.

(b) On or before December 31 of each year, each county auditor shall make a settlement with the department along with the filing of the county auditor's December settlement as to the aggregate amount of property tax replacement credits extended to taxpayers in the auditor's county during the last four (4) months of that same year.

(c) If the aggregate credits allowed during either period **under subsection (a) or (b)** exceed the property tax replacement funds allocated and distributed to the county treasurer for that same period, as provided in sections 4 and 5 of this chapter, then the department shall certify the amount of the excess to the auditor of state who shall issue a warrant, payable from the property tax replacement fund, to the treasurer of the state ordering the payment of the excess to the county treasurer.

(d) If the distribution **for the period under subsection (a) or (b)** exceeds the aggregate credits, the county treasurer shall repay to the treasurer of the state the amount of the excess. ~~which~~ **The repayment shall be redeposited in the school account, business account, and residential account of the property tax replacement fund in proportion to the amount transferred from these accounts to make the overpayment.**

~~(b)~~ (e) In making the settlement required by subsection (a), the county auditor shall recognize the fact that any loss of revenue resulting from the provision of homestead credits in excess of the percentage credit allowed in IC 6-1.1-20.9-2(d) must be paid from county option income revenues.

~~(c)~~ (f) Except as otherwise provided in this chapter, the state board of accounts with the cooperation of the department shall prescribe the accounting forms, records, and procedures required to carry out the provisions of this chapter.

SECTION 28. IC 6-1.1-21-10 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 10. (a) There is established a property tax replacement fund board to consist of the commissioner of the department, the chairman of the state board of tax commissioners, the director of the budget agency, and two (2) ex officio nonvoting representatives of the general assembly of the state of Indiana. The speaker of the house of representatives shall appoint one (1) member of the house as one (1) of the ex officio nonvoting representatives, and the president pro tempore of the senate shall appoint one (1) senator as the other ex officio nonvoting representative, each to serve at the will of the appointing officer. The commissioner of the department shall be the chairman of the board, and the director of the budget agency shall be the secretary of the board.

(b) The board may, upon a vote of a majority of the members of the board, increase the percentage of property tax replacement funds to be distributed from the **business account and residential account of the** property tax replacement fund to the several counties for credit to the taxpayers in the counties as provided in this chapter if in the judgment of the board there are surplus funds available in the **business account and residential account of the** fund for the increased distribution. The board shall make such a determination on or before March 1 of each year relative to the amounts to be distributed from the property tax replacement fund for that year. Upon such a determination the commissioner shall immediately notify the treasurers of the several counties of the increased distribution.

(c) The schedule to be used in making distributions to county treasurers during the periods set forth in section 4(b) of this chapter is as follows:

January	0.00%
February	0.00%
March	16.70%
April	16.70%
May	16.60%
June	0.00%
July	0.00%
August	0.00%
September	16.70%
October	16.70%
November	16.60%
December	0.00%

The board may authorize the department to distribute the estimated distributions to counties earlier than what is required under section 4(b) of this chapter.

(d) The board is also authorized to transfer funds from the **school account of the** property tax replacement fund for the purpose of providing financial aid to school corporations as provided in IC 21-3.

SECTION 29. IC 6-1.1-21-13 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 13. (a) Beginning in 2004, a taxpayer is entitled to a refund equal to the product of the refund factor determined under subsection (b) multiplied by the net ad valorem property taxes paid by the taxpayer in the immediately preceding calendar year on business personal property (including net ad valorem property taxes paid by a taxpayer in an allocation area (as defined in IC 12-19-1.5-1). To receive the refund provided by this section, a taxpayer must claim the refund in the manner prescribed by the department. The taxpayer shall submit to the department proof of payment of ad valorem property taxes and all information that the department determines is necessary for the calculation of the refund provided by this section.**

(b) Not later than February 1, 2004, and February 1 in each year thereafter, the department shall determine the refund factor applicable to net ad valorem property taxes paid in the ensuing calendar year. The amount of the refund factor is equal to the result determined under STEP FIVE of the following formula:

STEP ONE: Determine the total amount of the net ad valorem property taxes imposed on business personal property in the previous calendar year from the certified abstracts submitted by county auditors to the department of state revenue under IC 6-1.1-22-5.

STEP TWO: Subtract from the STEP ONE amount an estimated amount, as determined by the department, that is equal to the part of net ad valorem property taxes that are not eligible for a tax credit under this section as a result of the application of subsection (c).

STEP THREE: Estimate the net amount that is reserved in the business account of the property tax replacement fund under section 3.6 of this chapter for payment of refunds in the current calendar year.

STEP FOUR: Divide the STEP THREE amount by the STEP TWO result.

STEP FIVE: Determine the lesser of one (1) or the STEP FOUR amount.

(c) This section applies to a taxpayer that was eligible for a refund under this section in an immediately previous calendar year.

1 **The maximum total refund that a combined business group or**
 2 **another taxpayer is entitled to receive in a calendar year under this**
 3 **section may not exceed the result determined by multiplying the**
 4 **greater of:**

5 **(1) one and two hundredths (1.02); or**

6 **(2) the rate set by the department of local government finance**
 7 **after an appeal under subsection (d);**

8 **by the refund allowed or allowable under this section for the**
 9 **immediately previous calendar year.**

10 **(d) A taxpayer may appeal to the department of local**
 11 **government finance for an increase in the one and two hundredths**
 12 **(1.02) maximum rate set by subsection (c)(1). If the department of**
 13 **local government finance, upon recommendation of the local**
 14 **government control board, determines that the taxpayer has**
 15 **experienced an increase in assessed value as a result of increased**
 16 **economic activity by the taxpayer, the department of local**
 17 **government finance may increase the maximum rate set under**
 18 **subsection (c)(1) for one (1) or more calendar years. However, the**
 19 **maximum rate may not be increased to a level that would result in**
 20 **the taxpayer receiving a refund that exceeds the amount of net ad**
 21 **valorem property taxes paid by the taxpayer during the calendar**
 22 **year covered by the refund.**

23 **(e) If for any reason the net ad valorem property taxes for which**
 24 **the taxpayer received a refund under this section are reduced, the**
 25 **taxpayer shall make a payment to the state equal to the portion of**
 26 **the refund that was attributable to the reduced net ad valorem**
 27 **property taxes. IC 6-8.1 applies to the recovery of an amount due to**
 28 **the state under this subsection to the same extent as if ad valorem**
 29 **property taxes were a listed tax.**

30 **(f) The amount necessary to pay the refunds provided by this**
 31 **section is annually appropriated from the business account of the**
 32 **property tax replacement fund.**

33 **SECTION 30. IC 6-1.1-21-14 IS ADDED TO THE INDIANA CODE**
 34 **AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY**
 35 **1, 2002]: Sec. 14. If insufficient unrestricted funds are available in**
 36 **the business account or the residential account of the property tax**
 37 **replacement fund to make a distribution or pay a refund payable**
 38 **from that account, the department may make the distribution or**
 39 **pay the refund from money in the interest account of the property**
 40 **tax replacement fund.**

41 **SECTION 31. IC 6-1.1-22-5 IS AMENDED TO READ AS**
 42 **FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) On or before**

March 15 of each year, the county auditor shall prepare and deliver to:

(1) the auditor of state;

(2) **the department of state revenue;** and

(3) the county treasurer;

a certified copy of an abstract of the property, assessments, taxes, deductions, and exemptions for taxes payable in that year in each taxing district of the county. **The certified copy sent to the department of state revenue must describe only the property, assessments, taxes, deductions, and exemptions applicable to business personal property (as defined in IC 6-1.1-21-2).**

(b) The county auditor shall prepare the abstract in such a manner that the information concerning property tax deductions reflects the total amount of each type of deduction.

(c) The abstract shall also contain a statement of the taxes and penalties unpaid in each taxing unit at the time of the last settlement between the county auditor and county treasurer and the status of these delinquencies.

(d) The county auditor shall prepare the abstract on the form prescribed by the state board of accounts. The auditor of state, **department of state revenue**, county auditor, and county treasurer shall each keep a copy of the abstract in his office as a public record.

SECTION 32. IC 6-1.1-26-7 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS** [EFFECTIVE JANUARY 1, 2003]: **Sec. 7. The county auditor shall report to the department of state revenue any refund to a taxpayer made under this chapter resulting from a reduction of the amount of an assessment of business personal property (as defined in IC 6-1.1-21-2).**

SECTION 33. IC 6-1.1-31-11.5, AS ADDED BY P.L.198-2001, SECTION 77, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 11.5. (a) Subject to subsection ~~(b)~~, (c), the department of local government finance shall adopt rules under IC 4-22-2 to govern the practice of representatives in proceedings before the property tax assessment board of appeals and the department of local government finance.

(b) **The department of local government finance may adopt rules under subsection (a) to establish a program for the licensure of tax representatives (as defined in 50 IAC 15-5-1). The rules adopted under this subsection may require an applicant for a license or a license holder to pay an annual licensure fee not to exceed fifty dollars (\$50). The department of local government finance shall transfer all licensure fees collected under this subsection to the state**

treasurer for deposit in the state general fund.

(c) Except as provided in subsection ~~(c)~~; (d), a rule adopted under subsection (a) may not:

- (1) restrict the ability of a representative to practice before the property tax assessment board of appeals or the department of local government finance based on the fact that the representative is not an attorney admitted to the Indiana bar; or
- (2) restrict the admissibility of written or oral testimony of a representative or other witness based upon the manner in which the representative or other witness is compensated.

~~(c)~~ (d) A rule adopted under subsection (a) may require a representative in a proceeding before the property tax assessment board of appeals or the department of local government finance to be an attorney admitted to the Indiana bar if the matter under consideration in the proceeding is:

- (1) an exemption for which an application is required under IC 6-1.1-11;
- (2) a claim that taxes are illegal as a matter of law;
- (3) a claim regarding the constitutionality of an assessment; or
- (4) any other matter that requires representation that involves the practice of law.

~~(d)~~ (e) This subsection applies to a petition that is filed with the property tax assessment board of appeals or a matter under consideration by the department of local government finance before the adoption of a rule under subsection (a) that establishes new standards for:

- (1) the presentation of evidence or testimony; or
- (2) the practice of representatives.

The property tax assessment board of appeals or the department of local government finance may not dismiss a petition or reject consideration of a matter solely for failure to comply with the rule adopted under subsection (a) without providing the petitioner with an opportunity to present evidence, testimony, or representation in compliance with the rule.

SECTION 34. IC 6-1.1-35.2-3, AS AMENDED BY P.L.198-2001, SECTION 84, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 3. (a) Each year the department of local government finance shall conduct the continuing education sessions required in the rules adopted by the department for all assessing officials, county assessors, and all members of, and hearing officers for, the county property tax assessment board of appeals. These sessions must be conducted at the locations described in subsection (b).

(b) To ensure that all assessing officials, assessors, and members of

county property tax assessment boards of appeals have an opportunity to attend the continuing education sessions required by this section, the department of local government finance shall conduct the continuing education sessions at a minimum of four (4) separate regional locations. The department shall determine the locations of the continuing education sessions, but:

- (1) at least one (1) continuing education session must be held in the northeastern part of Indiana;
- (2) at least one (1) continuing education session must be held in the northwestern part of Indiana;
- (3) at least one (1) continuing education session must be held in the southeastern part of Indiana; and
- (4) at least one (1) continuing education session must be held in the southwestern part of Indiana.

The four (4) regional continuing education sessions may not be held in Indianapolis. However, the department of local government finance may, after the conclusion of the four (4) continuing education sessions, provide additional continuing education sessions at locations determined by the department.

(c) This subsection does not apply to assessing officials and their employees, county assessors and their employees, members and employees of, and hearing officers for, the county property tax assessment board of appeals, or employees of the department of local government finance. The department of local government finance may collect a fee not to exceed:

- (1) one hundred dollars (\$100) from an individual who attends a full day continuing education session that provides more than three and one-half (3 1/2) hours of continuing education credit;**
- or**
- (2) fifty dollars (\$50) from an individual who attends a half day continuing education session that provides three and one-half (3 1/2) or fewer hours of continuing education credit.**

All fees collected by the department of local government finance under this subsection shall be deposited in the assessing official training account established by IC 6-1.1-35.5-7.

(d) Any assessing official, county assessor, or member of, and hearing officers for, the county property tax assessment board of appeals who attends required sessions is entitled to receive a mileage allowance and the per diem per session set by the department of local government finance by rule adopted under IC 4-22-2 from the county in which the official resides. A person is entitled to a mileage allowance under this section only for travel between the person's place of work and the

1 training session nearest to the person's place of work.

2 SECTION 35. IC 6-1.1-39-6 IS AMENDED TO READ AS
 3 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. (a) An economic
 4 development district may be enlarged by the fiscal body by following the
 5 same procedure for the creation of an economic development district
 6 specified in this chapter. Property taxes that are attributable to the
 7 additional area and allocable to the economic development district are
 8 not eligible for the property tax replacement credit provided by
 9 IC 6-1.1-21-5. However, subject to subsection (c), each taxpayer in an
 10 additional area is entitled to an additional credit for property taxes that
 11 under IC 6-1.1-22-9 are due and payable in May and November of that
 12 year. One-half (1/2) of the credit shall be applied to each installment of
 13 property taxes. This credit equals the amount determined under the
 14 following STEPS for each taxpayer in a taxing district in a county that
 15 contains all or part of the additional area:

16 STEP ONE: Determine that part of the sum of the amounts under
 17 IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) **and the general**
 18 **school operating levies (as defined in IC 6-1.1-21-2)** that is
 19 attributable to the taxing district.

20 STEP TWO: Divide:

21 (A) that part of **the sum of:**

- 22 (i) ~~twenty~~ **thirty-nine** percent (~~20%~~) (**39%**) of the county's
 23 total county tax levy payable that year; **and**
 24 (ii) **one hundred percent (100%) of the general school**
 25 **operating levies (as defined in IC 6-1.1-21-2) for that**
 26 **year;**

27 as determined under IC 6-1.1-21-4 that is attributable to the
 28 taxing district; by

29 (B) the STEP ONE sum.

30 STEP THREE: Multiply:

31 (A) the STEP TWO quotient; times

32 (B) the total amount of the taxpayer's property taxes levied in
 33 the taxing district that would have been allocated to a special
 34 fund under section 5 of this chapter had the additional credit
 35 described in this section not been given.

36 The additional credit reduces the amount of proceeds allocated to the
 37 economic development district and paid into a special fund under
 38 section 5(a) of this chapter.

39 (b) If the additional credit under subsection (a) is not reduced under
 40 subsection (c) or (d), the credit for property tax replacement under
 41 IC 6-1.1-21-5 and the additional credit under subsection (a) shall be
 42 computed on an aggregate basis for all taxpayers in a taxing district that

contains all or part of an additional area. The credit for property tax replacement under IC 6-1.1-21-5 and the additional credit under subsection (a) shall be combined on the tax statements sent to each taxpayer.

(c) The county fiscal body may, by ordinance, provide that the additional credit described in subsection (a):

- (1) does not apply in a specified additional area; or
- (2) is to be reduced by a uniform percentage for all taxpayers in a specified additional area.

(d) Whenever the county fiscal body determines that granting the full additional credit under subsection (a) would adversely affect the interests of the holders of bonds or other contractual obligations that are payable from allocated tax proceeds in that economic development district in a way that would create a reasonable expectation that those bonds or other contractual obligations would not be paid when due, the county fiscal body must adopt an ordinance under subsection (c) to deny the additional credit or reduce the additional credit to a level that creates a reasonable expectation that the bonds or other obligations will be paid when due. An ordinance adopted under subsection (c) denies or reduces the additional credit for property taxes first due and payable in any year following the year in which the ordinance is adopted.

(e) An ordinance adopted under subsection (c) remains in effect until the ordinance is rescinded by the body that originally adopted the ordinance. However, an ordinance may not be rescinded if the rescission would adversely affect the interests of the holders of bonds or other obligations that are payable from allocated tax proceeds in that economic development district in a way that would create a reasonable expectation that the principal of or interest on the bonds or other obligations would not be paid when due. If an ordinance is rescinded and no other ordinance is adopted, the additional credit described in subsection (a) applies to property taxes first due and payable in each year following the year in which the resolution is rescinded.

SECTION 36. IC 6-2.1-3-36 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003] **Sec. 36. Gross receipts from a refund under IC 6-1.1-21-13 are exempt from the gross income tax.**

SECTION 37. IC 6-2.1-8-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. On or before the fifth day of each month, the total amount of gross income tax revenues received by the department in the immediately preceding month shall be deposited **as follows:**

- (1) **Sixty-five percent (65%) of the revenues shall be deposited**

in the state general fund.

(2) Thirteen percent (13%) of the revenues shall be deposited into the residential account of the property tax replacement fund.

(3) Twenty-two percent (22%) of the revenues shall be deposited in the business account of the property tax replacement fund.

SECTION 38. IC 6-2.2 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]:

ARTICLE 2.2. BUSINESS SUPPLEMENTAL TAX

Chapter 1. Application

Sec. 1. Except as provided in IC 6-2.2-3 (exempt entities), this article applies to all business entities doing business in Indiana in a taxable year.

Sec. 2. The entities to which this article applies include the following:

(1) Corporations.

(2) S corporations (as defined in Section 1361 of the Internal Revenue Code).

(3) Partnerships.

(4) Limited partnerships.

(5) Limited liability partnerships.

(6) Limited liability companies.

(7) Business trusts (as defined in IC 23-5-1-2).

Sec. 3. For purposes of this article, each business entity is treated as a separate entity regardless of the extent to which the business entity is owned or controlled by another business entity or whether the business entity is taxed for federal income tax purposes.

Sec. 4. A business entity shall not be treated as doing business in Indiana solely because it has an ownership interest in an entity described in section 2 of this chapter that is doing business in Indiana.

Chapter 2. Definitions

Sec. 1. The definitions in this chapter apply throughout this article.

Sec. 2. "Adjusted gross income" means the following, as adjusted by this article:

(1) In the case of a business entity that is taxed under the Internal Revenue Code for federal income tax purposes as a corporation (as defined in IC 6-3-1-10), taxable income (as defined in Section 63 of the Internal Revenue Code).

(2) In the case of a business entity that is taxed under the Internal Revenue Code for federal income tax purposes as a trust, taxable income (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) reduced by income that is exempted from taxation under IC 6-3 by the Constitution and statutes of the United States.

(3) In the case of a business entity that is treated under the Internal Revenue Code for federal income tax purposes as a partnership, taxable income (as defined in Section 703 of the Internal Revenue Code) reduced by income that is exempted from taxation under IC 6-3 by the Constitution and statutes of the United States.

(4) In the case of a business entity that is treated under the Internal Revenue Code for federal income tax purposes as a small business corporation, taxable income (as defined in Section 1363 of the Internal Revenue Code) reduced by income that is exempted from taxation under IC 6-3 by the Constitution and statutes of the United States.

However, if the Internal Revenue Code establishes a specific definition of taxable income for one (1) or more types of business entities, the term refers to taxable income as determined for that type of business entity under the Internal Revenue Code for federal income tax purposes.

Sec. 3. "Business entity" means any legal entity, regardless of form or place of formation, that engages in doing business in Indiana in a taxable year.

Sec. 4. "Department" refers to the department of state revenue.

Sec. 5. "Doing business" means owning, renting, or operating business or income producing property or engaging in other business or income producing activity.

Sec. 6. "Exempt entity" refers to an entity described in IC 6-2.2-3.

Sec. 7. "Taxable adjusted gross income" refers to taxable adjusted gross income determined under IC 6-2.2-5.

Sec. 8. "Taxable year" means the taxable year of a taxpayer determined under IC 6-2.2-4.

Sec. 9. "Taxpayer" means a business entity that is not an exempt entity.

Chapter 3. Exempt Entities

Sec. 1. Notwithstanding any other law, the only exemptions from this article are the exemptions provided by this chapter.

Sec. 2. An individual is exempt from this article.

1 **Sec. 3. The estate of a deceased individual is exempt from this**
 2 **article.**

3 **Sec. 4. The following governmental or quasi-governmental**
 4 **entities are exempt from this article:**

5 **(1) The United States government.**

6 **(2) The state of Indiana, another state, or an Indian tribe (as**
 7 **defined in IC 34-6-2-66.7).**

8 **(3) A political subdivision.**

9 **(4) A body corporate and politic that is an instrumentality of**
 10 **a governmental entity described in subdivisions (1) through (3),**
 11 **including a state educational institution (as defined in**
 12 **IC 20-12-0.5-1).**

13 **(5) A business entity that is wholly owned by a governmental**
 14 **entity described in subdivisions (1) through (3), including a**
 15 **municipally owned utility (as defined in IC 8-1-2-1).**

16 **Sec. 5. An organization that is exempt for federal income tax**
 17 **purposes under Section 501(a) of the Internal Revenue Code is**
 18 **exempt from this article, regardless of whether the organization has**
 19 **unrelated business income that is taxable for federal income tax**
 20 **purposes.**

21 **Sec. 6. A company (as defined in IC 27-1-2-3) is exempt from this**
 22 **article.**

23 **Sec. 7. The following are exempt from this article:**

24 **(1) A holding company (as defined in IC 6-5.5-1-17).**

25 **(2) A regulated financial corporation (as defined in**
 26 **IC 6-5.5-1-17).**

27 **Sec. 8. A trust (as described in IC 30-4-1-1) other than a business**
 28 **trust (as defined in IC 23-5-1-2) is exempt from this article.**

29 **Sec. 9. The following political organizations are exempt from this**
 30 **article:**

31 **(1) A bona fide political party (as defined in IC 3-5-2-5.5).**

32 **(2) A candidate's committee (as defined in IC 3-5-2-7).**

33 **(3) A central committee (as defined in IC 3-5-2-8).**

34 **(4) A regular party committee (as defined in IC 3-5-2-42).**

35 **(5) A political action committee (as defined in IC 3-5-2-37).**

36 **(6) A legislative caucus committee (as defined in IC 3-5-2-27.3).**

37 **Chapter 4. Accounting Practices**

38 **Sec. 1. A taxpayer's taxable year under this article is the year**
 39 **that a taxpayer uses under the Internal Revenue Code for federal**
 40 **income taxation purposes. If a taxpayer is not required to file an**
 41 **information or other tax return under the Internal Revenue Code,**
 42 **the taxpayer's taxable year under this article is a calendar year.**

Sec. 2. A taxpayer shall compute the taxpayer's taxable adjusted gross income and any credits allowed by this article using:

- (1) the same method of accounting that the taxpayer uses for filing a return under the Internal Revenue Code for federal income tax purposes; or**
- (2) if the taxpayer does not file a return under the Internal Revenue Code for federal income tax purposes, a method of accounting consistent with the requirements of Section 446 of the Internal Revenue Code.**

Chapter 5. Taxable Adjusted Gross Income

Sec. 1. Except as provided in this chapter, taxable adjusted gross income is equal to the adjusted gross income of a taxpayer in a taxable year that qualifies as adjusted gross income derived from sources in Indiana (as defined in IC 6-3-2-2).

Sec. 2. Taxable adjusted gross income shall be computed under this article without any reduction for a net operating loss deduction (as defined in Section 172 of the Internal Revenue Code).

Sec. 3. Taxable adjusted gross income shall be computed under this article without regard to whether the taxpayer:

- (1) has tax due under IC 6-3 for that taxable year; or**
- (2) is a pass through entity that is not obligated to pay adjusted gross income tax under IC 6-3.**

Sec. 4. Taxable adjusted gross income shall be computed under this article without regard to whether a business entity files a consolidated return under IC 6-3-4-14 or another law. A taxpayer that is a member of an affiliated group (as defined in IC 6-3-4-14) shall compute taxable adjusted gross income under this article separately as if the taxpayer were not part of an affiliated group.

Chapter 6. Deductions

Sec. 1. Notwithstanding any other law, only the deductions allowed by this chapter may be deducted from adjusted gross income to determine taxable adjusted gross income under this chapter.

Sec. 2. A taxpayer is not eligible for any deductions against adjusted gross income to determine taxable adjusted gross income under this article.

Chapter 7. Business Supplemental Tax

Sec. 1. An excise tax is imposed on a taxpayer in each taxable year in which the taxpayer is doing business in Indiana.

Sec. 2. The tax imposed under section 1 of this chapter is for the privilege of doing business in Indiana in a taxable year regardless of the number of days in a taxable year that the taxpayer is actually

doing business in Indiana.

Sec. 3. The minimum tax imposed under this article on a taxpayer that is doing business in Indiana in a taxable year is four hundred dollars (\$400) regardless of whether the business entity had any taxable adjusted gross income in the taxable year.

Sec. 4. For a taxpayer having taxable adjusted gross income equal to or greater than twenty million dollars (\$20,000,000), the tax imposed under section 1 of this chapter is equal to one percent (1%) of the taxpayer's taxable adjusted gross income. For all other taxpayers, the tax imposed under section 1 of this chapter is equal to the tax specified under the following table:

For Taxable Adjusted Gross Income

At Least	But Less Than	Tax Due
\$15,000,000	\$20,000,000	262,500
10,000,000	15,000,000	187,500
6,000,000	10,000,000	120,000
4,000,000	6,000,000	75,000
2,000,000	4,000,000	45,000
1,000,000	2,000,000	22,500
600,000	1,000,000	12,000
400,000	600,000	7,750
200,000	400,000	4,500
100,000	200,000	2,250
40,000	100,000	1,050
0 or less	40,000	400

Chapter 8. Credits

Sec. 1. Notwithstanding any other law, the only credits allowable against the tax due under this article are the credits allowed under this chapter.

Sec. 2. A taxpayer is not eligible for any credits against the tax imposed under this article.

Chapter 9. Payment of Taxes; Final Returns

Sec. 1. A taxpayer shall file the return prescribed by the department for each taxable year that the taxpayer is doing business in Indiana regardless of whether the taxpayer has any tax due.

Sec. 2. The return must contain the information required by the department, including any detailed information that may be necessary to determine the taxpayer's tax liability under this article.

Sec. 3. Subject to IC 6-8.1-6-1, a final return for a taxable year must be filed before the sixteenth day of the fourth month of the taxpayer's taxable year.

Sec. 4. (a) This section applies only to a business entity that has

a tax liability under this article that exceeds one thousand fifty dollars (\$1,050) for its taxable year.

(b) Every business entity subject to the tax liability under this article shall report and pay on a quarterly basis an estimated tax equal to twenty-five percent (25%) of the business entity's estimated tax liability under this article for the taxable year.

(c) A taxpayer who uses a taxable year that ends on December 31 shall file the taxpayer's estimated tax returns and pay the tax to the department on or before April 20, June 20, September 20, and December 20 of the taxable year. If a taxpayer uses a taxable year that does not end on December 31, the due dates for filing estimated tax returns and paying the tax are on or before the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxpayer's taxable year.

(d) If the department determines that a business entity's:

(1) estimated quarterly tax liability under this article for the current year; or

(2) average estimated quarterly tax liability under this article for the preceding year;

exceeds ten thousand dollars (\$10,000), the business entity shall pay the estimated adjusted gross income taxes due by electronic funds transfer (as defined in IC 4-8.1-2-7) or by delivering in person or overnight by courier a payment by cashier's check, certified check, or money order to the department. The transfer or payment shall be made on or before the date the tax is due.

(e) If a business entity's tax payment under this article is made by electronic funds transfer, the business entity is not required to file an estimated tax return under section.

(f) The department shall prescribe the manner and forms for the reporting and payment.

Sec. 5. When a return of tax is required under this chapter, the taxpayer required to make the return shall, without assessment or notice and demand from the department, pay the tax to the department at the time fixed for filing the return without regard to any extension of time for filing the return. In making a return and paying tax for any taxable year, a taxpayer shall take credit for any tax previously paid by the taxpayer for the taxable year.

Chapter 10. Administration

Sec. 1. Money collected under this article shall be deposited in the business account of the property tax replacement fund.

Sec. 2. The department may prescribe forms and adopt rules under IC 4-22-2 to carry out this article and collect the tax imposed

1 by this article.

2 Sec. 3. The department may require a taxpayer to provide
3 information concerning any licenses and registrations that the
4 taxpayer has in Indiana.

5 Sec. 4. The department may require a taxpayer to notify the
6 department concerning any change in its method of accounting or
7 taxable year.

8 Sec. 5. The tax imposed under this article is a listed tax.

9 Chapter 11. Penalties

10 Sec. 1. The penalties in IC 6-8.1 apply to this article. However,
11 the limitations on penalties provided by IC 6-3-4-4.1(e) for
12 corporations apply to all business entities subject to tax under this
13 article.

14 Sec. 2. If a taxpayer:

15 (1) fails to:

16 (A) file a notice, an information report, or a return; or

17 (B) pay the amount of the tax due;

18 as required under this article and IC 6-8.1; and

19 (2) within ninety (90) days after receiving written notice of a
20 failure described in subdivision (1), fails to comply with this
21 article and pay any penalty imposed under IC 6-8.1 for failure
22 to comply with this article;

23 the department may suspend the taxpayer's privilege of doing
24 business in Indiana for the remainder of the taxable year in which
25 the failure occurred and for any subsequent taxable year. Notice of
26 the suspension must be given under IC 4-21.5-3-4.

27 Sec. 3. A taxpayer may obtain administrative review of a
28 suspension under section 2 of this chapter under IC 4-21.5-3-7 and
29 judicial review of a final determination of the department under
30 IC 4-21.5-5. Judicial review shall be initiated by filing a petition in
31 the tax court. The tax court has exclusive jurisdiction over the
32 review.

33 Sec. 4. Except during any time that an order suspending a
34 taxpayer's privilege of doing business in Indiana is stayed under
35 IC 4-21.5:

36 (1) a taxpayer whose privilege of doing business in Indiana has
37 been suspended under this chapter is ineligible to enforce any
38 right or power accruing to the taxpayer after the taxpayer
39 receives written notice from the department that the taxpayer's
40 privilege of doing business in Indiana has been suspended; and

41 (2) any contract entered into by the taxpayer after the taxpayer
42 has received written notice that the taxpayer's privilege of

doing business in Indiana has been suspended is voidable by any other party to the contract.

Sec. 5. If:

(1) the department suspends a taxpayer's privilege of doing business or a stay of an order suspending the taxpayer's privilege of doing business in Indiana is terminated; and

(2) the department knows that the taxpayer is required by any law to obtain a license or register with any state agency or political subdivision to engage in doing business;

the department shall notify the state agency or political subdivision that the taxpayer's privilege of doing business in Indiana has been suspended. Upon receipt of the notification, the state agency or political subdivision shall suspend the license or the rights accruing from registration issued by the state agency or political subdivision.

Sec. 6. An order suspending the privilege of doing business in Indiana may be rescinded if the taxpayer:

(1) complies with this article; and

(2) pays the penalties imposed under IC 6-8.1 for violation of this article.

Sec. 7. If an order suspending a taxpayer's privilege of doing business in Indiana is rescinded or stayed, the department shall notify each state agency and political subdivision described in section 5 of this chapter of the action. Upon receipt of the notice, each state agency and political subdivision shall reinstate any license or rights accruing from registration if the taxpayer otherwise qualifies for the license or registration and the taxpayer pays any fees imposed to reinstate the license or registration.

SECTION 39. IC 6-2.5-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) The state gross retail tax is measured by the gross retail income received by a retail merchant in a retail unitary transaction and is imposed at the following rates:

STATE	GROSS RETAIL INCOME		
GROSS	FROM THE		
RETAIL	RETAIL UNITARY		
TAX	TRANSACTION		
\$ 0		less than	\$.10
\$.01	at least \$.10;	but less than	\$.30
\$.02	at least \$.30;	but less than	\$.50
\$.03	at least \$.50;	but less than	\$.70
\$.04	at least \$.70;	but less than	\$.90
\$.05	at least \$.90;	but less than	\$ 1.10

1	\$ 0		less than	\$ 0.09
2	\$ 0.01	at least \$ 0.09	but less than	\$ 0.25
3	\$ 0.02	at least \$ 0.25	but less than	\$ 0.42
4	\$ 0.03	at least \$ 0.42	but less than	\$ 0.59
5	\$ 0.04	at least \$ 0.59	but less than	\$ 0.75
6	\$ 0.05	at least \$ 0.75	but less than	\$ 0.92
7	\$ 0.06	at least \$ 0.92	but less than	\$ 1.09

8 On a retail unitary transaction in which the gross retail income received
 9 by the retail merchant is one dollar and ~~ten nine~~ cents ~~(\$1.10)~~ **(\$1.09)**
 10 or more, the state gross retail tax is ~~five six~~ percent ~~(5%)~~ **(6%)** of that
 11 gross retail income.

12 (b) If the tax computed under subsection (a) results in a fraction of
 13 one-half cent ~~(\$0.005)~~ **(\$0.005)** or more, the amount of the tax shall be
 14 rounded to the next additional cent.

15 SECTION 40. IC 6-2.5-6-7 IS AMENDED TO READ AS FOLLOWS
 16 [EFFECTIVE JANUARY 1, 2003]: Sec. 7. Except as otherwise
 17 provided in IC 6-2.5-7 or in this chapter, a retail merchant shall pay to
 18 the department, for a particular reporting period, an amount equal to the
 19 product of:

- 20 (1) ~~five six~~ percent ~~(5%)~~; **(6%)**; multiplied by
 21 (2) the retail merchant's total gross retail income from taxable
 22 transactions made during the reporting period.

23 The amount determined under this section is the retail merchant's state
 24 gross retail and use tax liability regardless of the amount of tax he
 25 actually collects.

26 SECTION 41. IC 6-2.5-6-8 IS AMENDED TO READ AS FOLLOWS
 27 [EFFECTIVE JANUARY 1, 2003]: Sec. 8. (a) For purposes of
 28 determining the amount of state gross retail and use taxes which he must
 29 remit under section 7 of this chapter, a retail merchant may exclude from
 30 his gross retail income from retail transactions made during a particular
 31 reporting period, an amount equal to the product of:

- 32 (1) the amount of that gross retail income; multiplied by
 33 (2) the retail merchant's "income exclusion ratio" for the tax year
 34 which contains the reporting period.

35 (b) A retail merchant's "income exclusion ratio" for a particular tax
 36 year equals a fraction, the numerator of which is the retail merchant's
 37 estimated total gross retail income for the tax year from unitary retail
 38 transactions which produce gross retail income of less than ~~ten nine~~
 39 cents ~~(\$1.10)~~ **(\$0.09)** each, and the denominator of which is the retail
 40 merchant's estimated total gross retail income for the tax year from all
 41 retail transactions.

42 (c) In order to minimize a retail merchant's recordkeeping

requirements, the department shall prescribe a procedure for determining the retail merchant's income exclusion ratio for a tax year, based on a period of time, not to exceed fifteen (15) consecutive days, during the first quarter of the retail merchant's tax year. However, the period of time may be changed if the change is requested by the retail merchant because of his peculiar accounting procedures or marketing factors. In addition, if a retail merchant has multiple sales locations or diverse types of sales, the department shall permit the retail merchant to determine the ratio on the basis of a representative sampling of the locations and types of sales.

SECTION 42. IC 6-2.5-6-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) In order to compensate retail merchants for collecting and timely remitting the state gross retail tax and the state use tax, every retail merchant, except a retail merchant referred to in subsection (c), is entitled to deduct and retain from the amount of those taxes otherwise required to be remitted under IC 6-2.5-7-5 or under this chapter, if timely remitted, a retail merchant's collection allowance.

(b) The allowance equals ~~one eighty-three hundredths~~ percent (~~1%~~) (**0.83%**) of the retail merchant's state gross retail and use tax liability accrued during a reporting period.

(c) A retail merchant described in IC 6-2.5-4-5 or IC 6-2.5-4-6 is not entitled to the allowance provided by this section.

SECTION 43. IC 6-2.5-7-3, AS AMENDED BY P.L.222-1999, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) With respect to the sale of gasoline which is dispensed from a metered pump, a retail merchant shall collect, for each unit of gasoline sold, state gross retail tax in an amount equal to the product, rounded to the nearest one-tenth of one cent (~~\$-.001~~), (**\$0.001**), of:

(i) ~~(1)~~ the price per unit before the addition of state and federal taxes; multiplied by

~~(ii) five (2) six percent (5%); (6%).~~

The retail merchant shall collect the state gross retail tax prescribed in this section even if the transaction is exempt from taxation under IC 6-2.5-5.

(b) With respect to the sale of special fuel or kerosene which is dispensed from a metered pump, unless the purchaser provides an exemption certificate in accordance with IC 6-2.5-8-8, a retail merchant shall collect, for each unit of special fuel or kerosene sold, state gross retail tax in an amount equal to the product, rounded to the nearest one-tenth of one cent (~~\$-.001~~), (**\$0.001**), of:

(i) (1) the price per unit before the addition of state and federal taxes; multiplied by

(ii) ~~five (2) six~~ percent ~~(5%)- (6%)~~.

Unless the exemption certificate is provided, the retail merchant shall collect the state gross retail tax prescribed in this section even if the transaction is exempt from taxation under IC 6-2.5-5.

SECTION 44. IC 6-2.5-7-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) Each retail merchant who dispenses gasoline or special fuel from a metered pump shall, in the manner prescribed in IC 6-2.5-6, report to the department the following information:

(1) The total number of gallons of gasoline sold from a metered pump during the period covered by the report.

(2) The total amount of money received from the sale of gasoline described in subdivision (1) during the period covered by the report.

(3) That portion of the amount described in subdivision (2) which represents state and federal taxes imposed under ~~IC 6-2.5; this~~ **article**, IC 6-6-1.1, or Section 4081 of the Internal Revenue Code.

(4) The total number of gallons of special fuel sold from a metered pump during the period covered by the report.

(5) The total amount of money received from the sale of special fuel during the period covered by the report.

(6) That portion of the amount described in subdivision (5) that represents state and federal taxes imposed under ~~IC 6-2.5; this~~ **article**, IC 6-6-2.5, or Section 4041 of the Internal Revenue Code.

(b) Concurrently with filing the report, the retail merchant shall remit the state gross retail tax in an amount which equals ~~one twenty-first (1/21)~~ **five and sixty-six hundredths percent (5.66%)** of the gross receipts, including state gross retail taxes but excluding Indiana and federal gasoline and special fuel taxes, received by the retail merchant from the sale of the gasoline and special fuel that is covered by the report and on which the retail merchant was required to collect state gross retail tax. The retail merchant shall remit that amount regardless of the amount of state gross retail tax which he has actually collected under this chapter. However, the retail merchant is entitled to deduct and retain the amounts prescribed in subsection (c), IC 6-2.5-6-10, and IC 6-2.5-6-11.

(c) A retail merchant is entitled to deduct from the amount of state gross retail tax required to be remitted under subsection (b) an amount equal to:

(1) the sum of the prepayment amounts made during the period covered by the retail merchant's report; minus

(2) the sum of prepayment amounts collected by the retail merchant, in the merchant's capacity as a qualified distributor, during the period covered by the retail merchant's report.

For purposes of this section, a prepayment of the gross retail tax is presumed to occur on the date on which it is invoiced.

SECTION 45. IC 6-2.5-10-1, AS AMENDED BY P.L.253-1999, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE FEBRUARY 1, 2003]: Sec. 1. (a) The department shall account for all state gross retail and use taxes that it collects.

(b) The department shall deposit those collections in the following manner:

(1) ~~Forty Sixty-six and six hundred sixty-seven thousandths~~ percent ~~(40%)~~ **(66.667%)** of the collections shall be paid into the **school account of the** property tax replacement fund established under IC 6-1.1-21.

(2) ~~Fifty-nine and three-hundredths~~ **Thirty-two and five hundred twenty-five thousandths** percent ~~(59.03%)~~ **(32.525%)** of the collections shall be paid into the state general fund.

(3) ~~Seventy-six hundredths~~ **Six hundred thirty-three thousandths** of one percent ~~(0.76%)~~ **(0.633%)** of the collections shall be paid into the public mass transportation fund established by IC 8-23-3-8.

(4) ~~Four hundredths~~ **Thirty-three thousandths** of one percent ~~(0.04%)~~ **(0.033%)** of the collections shall be deposited into the industrial rail service fund established under IC 8-3-1.7-2.

(5) ~~Seventeen hundredths~~ **One hundred forty-two thousandths** of one percent ~~(0.17%)~~ **(0.142%)** of the collections shall be deposited into the commuter rail service fund established under IC 8-3-1.5-20.5.

SECTION 46. IC 6-3-2-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. (a) Each taxable year, a tax at the rate of three and ~~four-tenths~~ **six-tenths** percent ~~(3.4%)~~ **(3.6%)** of adjusted gross income is imposed upon the adjusted gross income of every resident person, and on that part of the adjusted gross income derived from sources within Indiana of every nonresident person.

(b) Each taxable year, a tax at the rate of ~~three eight~~ and ~~four-tenths~~ **five-tenths** percent ~~(3.4%)~~ **(8.5%)** of adjusted gross income is imposed on that part of the adjusted gross income derived from sources within Indiana of every corporation.

SECTION 47. IC 6-3-2-3.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.1. (a) Except as otherwise provided in subsection (b), income is not exempt from the adjusted gross income tax ~~or the supplemental net income tax~~, under section 2.8(1) of

1 this chapter if the income is derived by the exempt organization from an
 2 unrelated trade or business, as defined in Section 513 of the Internal
 3 Revenue Code.

4 (b) This section does not apply to:

- 5 (1) the United States government;
- 6 (2) an agency or instrumentality of the United States government;
- 7 (3) this state;
- 8 (4) a state agency, as defined in IC 34-6-2-141;
- 9 (5) a political subdivision, as defined in IC 34-6-2-110; or
- 10 (6) a county solid waste management district or a joint solid waste
 11 management district established under IC 13-21 or IC 13-9.5-2
 12 (before its repeal).

13 SECTION 48. IC 6-3-2-14 IS AMENDED TO READ AS FOLLOWS
 14 [EFFECTIVE JANUARY 1, 2003]: Sec. 14. Prize money received from
 15 a winning lottery ticket purchased under IC 4-30 is exempt from the
 16 adjusted gross income tax ~~and supplemental net income tax~~ imposed by
 17 this article.

18 SECTION 49. IC 6-3-2-20 IS ADDED TO THE INDIANA CODE AS
 19 A **NEW SECTION TO READ AS FOLLOWS** [EFFECTIVE
 20 JANUARY 1, 2003] **Sec. 20. Refunds under IC 6-1.1-21-13 are**
 21 **exempt from the adjusted gross income tax imposed under this**
 22 **article, county adjusted gross income tax under IC 6-3.5-1.1, county**
 23 **option income tax under IC 6-3.5-6, and county economic**
 24 **development income tax under IC 6-3.5-7.**

25 SECTION 50. IC 6-3-4-4.1 IS AMENDED TO READ AS FOLLOWS
 26 [EFFECTIVE JANUARY 1, 2003]: Sec. 4.1. (a) This section applies to
 27 taxable years beginning after December 31, 1993.

28 (b) Any individual required by the Internal Revenue Code to file
 29 estimated tax returns and to make payments on account of such
 30 estimated tax shall file estimated tax returns and make payments of the
 31 tax imposed by this article to the department at the time or times and in
 32 the installments as provided by Section 6654 of the Internal Revenue
 33 Code. However, in applying Section 6654 of the Internal Revenue Code
 34 for the purposes of this article, "estimated tax" means the amount which
 35 the individual estimates as the amount of the adjusted gross income tax
 36 imposed by this article for the taxable year, minus the amount which the
 37 individual estimates as the sum of any credits against the tax provided
 38 by IC 6-3-3.

39 (c) Every individual who has gross income subject to the tax imposed
 40 by this article and from which tax is not withheld under the requirements
 41 of section 8 of this chapter shall make a declaration of estimated tax for
 42 the taxable year. However, no such declaration shall be required if the

1 estimated tax can reasonably be expected to be less than four hundred
 2 dollars (\$400). In the case of an underpayment of the estimated tax as
 3 provided in Section 6654 of the Internal Revenue Code, there shall be
 4 added to the tax a penalty in an amount prescribed by
 5 IC 6-8.1-10-2.1(b).

6 (d) Every corporation subject to the adjusted gross income tax liability
 7 imposed by IC 6-3 shall be required to report and pay an estimated tax
 8 equal to twenty-five percent (25%) of such corporation's estimated
 9 adjusted gross income tax liability for the taxable year less the credit
 10 allowed by IC 6-3-3-2 for the tax imposed on gross income. Such
 11 estimated payment shall be made at the same time and in conjunction
 12 with the reporting of gross income tax as provided for in IC 6-2.1-5. The
 13 department shall prescribe the manner and forms for such reporting and
 14 payment.

15 (e) The penalty prescribed by IC 6-8.1-10-2.1(b) shall be assessed by
 16 the department on corporations failing to make payments as required in
 17 subsection (d) or (g). However, no penalty shall be assessed as to any
 18 estimated payments of adjusted gross income tax plus ~~supplemental net~~
 19 ~~income business supplemental~~ tax plus gross income tax which equal
 20 or exceed:

21 (1) twenty percent (20%) of the final tax liability for such taxable
 22 year; or

23 (2) twenty-five percent (25%) of the final tax liability for the
 24 taxpayer's previous taxable year.

25 In addition, the penalty as to any underpayment of tax on an estimated
 26 return shall only be assessed on the difference between the actual
 27 amount paid by the corporation on such estimated return and twenty-five
 28 percent (25%) of the sum of the corporation's final adjusted gross
 29 income tax plus ~~supplemental net income business supplemental~~ tax
 30 liability for such taxable year.

31 (f) The provisions of subsection (d) requiring the reporting and
 32 estimated payment of adjusted gross income tax shall be applicable only
 33 to corporations having an adjusted gross income tax liability which, after
 34 application of the credit allowed by IC 6-3-3-2, shall exceed one
 35 thousand dollars (\$1,000) for its taxable year.

36 (g) If the department determines that a corporation's:

37 (1) estimated quarterly adjusted gross income tax liability for the
 38 current year; or

39 (2) average estimated quarterly adjusted gross income tax liability
 40 for the preceding year;

41 exceeds, before January 1, 1998, twenty thousand dollars (\$20,000),
 42 and, after December 31, 1997, ten thousand dollars (\$10,000), after the

credit allowed by IC 6-3-3-2, the corporation shall pay the estimated adjusted gross income taxes due by electronic funds transfer (as defined in IC 4-8.1-2-7) or by delivering in person or overnight by courier a payment by cashier's check, certified check, or money order to the department. The transfer or payment shall be made on or before the date the tax is due.

(h) If a corporation's adjusted gross income tax payment is made by electronic funds transfer, the corporation is not required to file an estimated adjusted gross income tax return.

SECTION 51. IC 6-3-4-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 8. (a) Except as provided in subsection (d) **or (I)**, every employer making payments of wages subject to tax under ~~IC 6-3~~, **this article**, regardless of the place where such payment is made, who is required under the provisions of the Internal Revenue Code to withhold, collect, and pay over income tax on wages paid by such employer to such employee, shall, at the time of payment of such wages, deduct and retain therefrom the amount prescribed in withholding instructions issued by the department. The department shall base its withholding instructions on the adjusted gross income tax rate for persons, on the total rates of any income taxes that the taxpayer is subject to under IC 6-3.5, and on the total amount of exclusions the taxpayer is entitled to under IC 6-3-1-3.5(a)(3) and IC 6-3-1-3.5(a)(4). Such employer making payments of any wages:

(1) shall be liable to the state of Indiana for the payment of the tax required to be deducted and withheld under this section and shall not be liable to any individual for the amount deducted from ~~his~~ **the individual's** wages and paid over in compliance or intended compliance with this section; and

(2) shall make return of and payment to the department monthly of the amount of tax which under ~~IC 6-3~~ **this article** and IC 6-3.5 ~~he~~ **the employer** is required to withhold.

(b) An employer shall pay taxes withheld under subsection (a) during a particular month to the department no later than thirty (30) days after the end of that month. However, in place of monthly reporting periods, the department may permit an employer to report and pay the tax for:

(1) a calendar year reporting period, if the average monthly amount of all tax required to be withheld by the employer in the previous calendar year does not exceed ten dollars (\$10);

(2) a six (6) month reporting period, if the average monthly amount of all tax required to be withheld by the employer in the previous calendar year does not exceed twenty-five dollars (\$25); or

(3) a three (3) month reporting period, if the average monthly

amount of all tax required to be withheld by the employer in the previous calendar year does not exceed seventy-five dollars (\$75). An employer using a reporting period (other than a monthly reporting period) must file the employer's return and pay the tax for a reporting period no later than the last day of the month immediately following the close of the reporting period. If an employer files a combined sales and withholding tax report, the reporting period for the combined report is the shortest period required under this section, section 8.1 of this chapter, or IC 6-2.5-6-1.

(c) For purposes of determining whether an employee is subject to taxation under IC 6-3.5, an employer is entitled to rely on the statement of ~~his~~ **an** employee as to ~~his~~ **the employee's** county of residence as represented by the statement of address in forms claiming exemptions for purposes of withholding, regardless of when the employee supplied the forms. Every employee shall notify ~~his~~ **the employee's** employer within five (5) days after any change in ~~his~~ **the employee's** county of residence.

(d) A county that makes payments of wages subject to tax under ~~IC 6-3:~~ **this article:**

(1) to a precinct election officer (as defined in IC 3-5-2-40.1); and
 (2) for the performance of the duties of the precinct election officer imposed by IC 3 that are performed on election day;
 is not required, at the time of payment of the wages, to deduct and retain from the wages the amount prescribed in withholding instructions issued by the department.

(e) Every employer shall, at the time of each payment made by ~~him~~ **the employer** to the department, deliver to the department a return upon the form prescribed by the department showing:

- (1) the total amount of wages paid to ~~his~~ **the employer's** employees;
- (2) the amount deducted therefrom in accordance with the provisions of the Internal Revenue Code;
- (3) the amount of adjusted gross income tax deducted therefrom in accordance with the provisions of this section;
- (4) the amount of income tax, if any, imposed under IC 6-3.5 and deducted therefrom in accordance with this section; and
- (5) any other information the department may require.

Every employer making a declaration of withholding as provided in this section shall furnish ~~his~~ **the employer's** employees annually, but not later than thirty (30) days after the end of the calendar year, a record of the total amount of adjusted gross income tax and the amount of each income tax, if any, imposed under IC 6-3.5, withheld from the employees, on the forms prescribed by the department.

(f) All money deducted and withheld by an employer shall immediately upon such deduction be the money of the state, and every employer who deducts and retains any amount of money under the provisions of ~~IC 6-3~~ **this article** shall hold the same in trust for the state of Indiana and for payment thereof to the department in the manner and at the times provided in ~~IC 6-3~~ **this article**. Any employer may be required to post a surety bond in the sum the department determines to be appropriate to protect the state with respect to money withheld pursuant to this section.

(g) The provisions of IC 6-8.1 relating to additions to tax in case of delinquency and penalties shall apply to employers subject to the provisions of this section, and for these purposes any amount deducted or required to be deducted and remitted to the department under this section shall be considered to be the tax of the employer, and with respect to such amount the employer shall be considered the taxpayer. In the case of a corporate or partnership employer, every officer, employee, or member of such employer, who, as such officer, employee, or member is under a duty to deduct and remit such taxes shall be personally liable for such taxes, penalties, and interest.

(h) Amounts deducted from wages of an employee during any calendar year in accordance with the provisions of this section shall be considered to be in part payment of the tax imposed on such employee for ~~his~~ **the employee's** taxable year which begins in such calendar year, and a return made by the employer under subsection (b) shall be accepted by the department as evidence in favor of the employee of the amount so deducted from ~~his~~ **the employee's** wages. Where the total amount so deducted exceeds the amount of tax on the employee as computed under ~~IC 6-3~~ **this article** and IC 6-3.5, the department shall, after examining the return or returns filed by the employee in accordance with ~~IC 6-3~~ **this article** and IC 6-3.5, refund the amount of the excess deduction. However, under rules promulgated by the department, the excess or any part thereof may be applied to any taxes or other claim due from the taxpayer to the state of Indiana or any subdivision thereof. No refund shall be made to an employee who fails to file ~~his~~ **the employee's** return or returns as required under ~~IC 6-3~~ **this article** and IC 6-3.5 within two (2) years from the due date of the return or returns. In the event that the excess tax deducted is less than one dollar (\$1), no refund shall be made.

(i) This section shall in no way relieve any taxpayer from ~~his~~ **the taxpayer's** obligation of filing a return or returns at the time required under ~~IC 6-3~~ **this article** and IC 6-3.5, and, should the amount withheld under the provisions of this section be insufficient to pay the total tax of

such taxpayer, such unpaid tax shall be paid at the time prescribed by section 5 of this chapter.

(j) Notwithstanding subsection (b), an employer of a domestic service employee that enters into an agreement with the domestic service employee to withhold federal income tax under Section 3402 of the Internal Revenue Code may withhold Indiana income tax on the domestic service employee's wages on the employer's Indiana individual income tax return in the same manner as allowed by Section 3510 of the Internal Revenue Code.

(k) To the extent allowed by Section 1137 of the Social Security Act, an employer of a domestic service employee may report and remit state unemployment insurance contributions on the employee's wages on the employer's Indiana individual income tax return in the same manner as allowed by Section 3510 of the Internal Revenue Code.

(l) An employer is exempt from the withholding requirements of this section for an individual if the individual certifies to the employer, on forms prescribed by the department, that the individual's wages from the employer for the calendar year will:

- (1) comprise more than eighty percent (80%) of the individual's Indiana total income (as defined in IC 6-3.1-21-3); and**
- (2) not exceed fifteen thousand dollars (\$15,000).**

(m) A person who knowingly fails to remit trust fund money as set forth in this section commits a Class D felony.

SECTION 52. IC 6-3-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) All revenues derived from collection of the adjusted gross income tax imposed on corporations ~~(except the tax revenues allocated under section 2-5 of this chapter to the state general fund)~~ shall be deposited as follows:

- ~~(1) Ten million dollars (\$10,000,000) shall for each state fiscal year~~
Sixty-five percent (65%) of the revenues shall be deposited in the state general fund.
- ~~(2) The balance of such~~ **Thirteen percent (13%) of the revenues** shall be deposited into the **residential account of the property tax replacement fund.**
- (3) Twenty-two percent (22%) of the revenues shall be deposited in the business account of the property tax replacement fund.**

(b) All revenues derived from collection of the adjusted gross income tax imposed on persons shall be deposited as follows:

- (1) Ninety-four and five tenths percent (94.5%) in the state general fund.**
- (2) Five and five tenths percent (5.5%) of the revenues shall be deposited in the school account of the property tax replacement**

fund.

SECTION 53. IC 6-3.1-2-1 IS AMENDED TO READ AS FOLLOWS
[EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter, the
following terms have the following meanings:

(1) "Eligible teacher" means a teacher:

(A) certified in a shortage area by the professional standards
board established by IC 20-1-1.4; and

(B) employed under contract during the regular school term by a
school corporation in a shortage area.

(2) "Qualified position" means a position that:

(A) is relevant to the teacher's academic training in a shortage
area; and

(B) has been approved by the Indiana state board of education
under section 6 of this chapter.

(3) "Regular school term" means the period, other than the school
summer recess, during which a teacher is required to perform duties
assigned to him under a teaching contract.

(4) "School corporation" means any corporation authorized by law
to establish public schools and levy taxes for their maintenance.

(5) "Shortage area" means the subject areas of mathematics and
science and any other subject area designated as a shortage area by
the Indiana state board of education.

(6) "State income tax liability" means a taxpayer's total income tax
liability incurred under IC 6-2.1, ~~and~~ IC 6-3, **and IC 6-5.5**, as
computed after application of credits that under IC 6-3.1-1-2 are to
be applied before the credit provided by this chapter.

SECTION 54. IC 6-3.1-2-5 IS AMENDED TO READ AS FOLLOWS
[EFFECTIVE JANUARY 1, 2003]: Sec. 5. (a) A credit to which a
taxpayer is entitled under this chapter shall be applied ~~in the following~~
~~manner:~~

(1) First, against the taxpayer's gross income tax liability for the
taxable year.

(2) Second, against the taxpayer's adjusted gross income tax liability
for the taxable year.

~~(3) Third, against the taxpayer's supplemental net income tax
liability for the taxable year.~~

(b) A taxpayer that is subject to the financial institutions tax may
apply the credit provided by this chapter against the taxpayer's financial
institutions tax liability for the taxable year.

SECTION 55. IC 6-3.1-4-1 IS AMENDED TO READ AS FOLLOWS
[EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter:

"Base amount" means base amount (as defined in Section 41(c) of the

Internal Revenue Code **as in effect on January 1, 2002**).

"Base period Indiana qualified research expense" means base period research expense that is incurred for research conducted in Indiana.

"Base period research expense" means base period research expense (as defined in Section 41(c) of the Internal Revenue Code before January 1, 1990).

"Indiana qualified research expense" means qualified research expense that is incurred for research conducted in Indiana.

"Qualified research expense" means qualified research expense (as defined in Section 41(b) of the Internal Revenue Code **as in effect on January 1, 2002**).

"Pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

"Research expense tax credit" means a credit provided under this chapter against any tax otherwise due and payable under IC 6-2.1 or IC 6-3.

"Taxpayer" means an individual, a corporation, a limited liability company, a limited liability partnership, a trust, or a partnership.

SECTION 56. IC 6-3.1-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) A taxpayer who incurs Indiana qualified research expense in a particular taxable year is entitled to a research expense tax credit for the taxable year.

(b) A taxpayer who does not have income apportioned to this state for a taxable year under IC 6-3-2-2 is entitled to a research expense tax credit for the taxable year in the amount of the product of:

- (1) ~~five ten~~ percent ~~(5%)~~; **(10%)**; multiplied by
- (2) the remainder of the taxpayer's Indiana qualified research expenses for the taxable year, minus:
 - (A) the taxpayer's base period Indiana qualified research expenses, for taxable years beginning before January 1, 1990; or
 - (B) the taxpayer's base amount, for taxable years beginning after December 31, 1989.

(c) A taxpayer who has income apportioned to this state for a taxable year under IC 6-3-2-2 is entitled to a research expense tax credit for the taxable year in the amount of the lesser of:

- (1) the amount determined under subsection (b); or
- (2) ~~five ten~~ percent ~~(5%)~~ **(10%)** multiplied by the remainder of the taxpayer's total qualified research expenses for the taxable year,

1 minus:

2 (A) the taxpayer's base period research expenses, for taxable years
3 beginning before January 1, 1990; or

4 (B) the taxpayer's base amount, for taxable years beginning after
5 December 31, 1989;

6 further multiplied by the percentage determined under IC 6-3-2-2
7 for the apportionment of the taxpayer's income for the taxable year
8 to this state.

9 SECTION 57. IC 6-3.1-4-4 IS AMENDED TO READ AS FOLLOWS
10 [EFFECTIVE JANUARY 1, 2003]: Sec. 4. The provisions of Section 41
11 of the Internal Revenue Code **as in effect on January 1, 2002**, and the
12 regulations promulgated in respect to those provisions **and in effect on**
13 **January 1, 2002**, are applicable to the interpretation and administration
14 by the department of the credit provided by this chapter, including the
15 allocation and pass through of the credit to various taxpayers and the
16 transitional rules for determination of the base period.

17 SECTION 58. IC 6-3.1-4-6, AS AMENDED BY P.L.4-2000,
18 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
19 JULY 1, 2002]: Sec. 6. Notwithstanding the other provisions of this
20 chapter, a taxpayer is not entitled to a credit for Indiana qualified
21 research expense incurred after December 31, ~~2002~~: **2004**.
22 Notwithstanding Section 41 of the Internal Revenue Code, the
23 termination date in Section 41(h) of the Internal Revenue Code does not
24 apply to a taxpayer who is eligible for the credit under this chapter for
25 the taxable year in which the Indiana qualified research expense is
26 incurred.

27 SECTION 59. IC 6-3.1-5-2 IS AMENDED TO READ AS FOLLOWS
28 [EFFECTIVE JANUARY 1, 2003]: Sec. 2. As used in this chapter:

29 "New partnership interest" means a general or a limited partnership
30 interest in a limited partnership if the interest is acquired by the taxpayer
31 from the limited partnership.

32 "New stock" means a share of stock of a corporation if the stock, when
33 purchased by the taxpayer, is authorized but unissued.

34 "Qualified entity" means the state corporation or other corporation or
35 limited partnership in which the state corporation purchases, before
36 January 1, 1984, new stock or a new partnership interest under section
37 7(d) of this chapter.

38 "Qualified investment" means new stock or a new partnership interest
39 in a qualified entity, if the new stock or the new partnership interest is
40 purchased by the taxpayer solely for cash.

41 "State corporation" means the corporation organized under sections 7
42 and 8 of this chapter.

"State tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- ~~(3) IC 6-3-8 (the supplemental net income tax);~~
- ~~(4) IC 6-5-10 (the bank tax);~~
- ~~(5) IC 6-5-11 (the savings and loan association tax);~~
- ~~(6)~~ **(3)** IC 27-1-18-2 (the insurance premiums tax); and
- ~~(7)~~ **(4)** IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, partnership, or other entity that has any state tax liability.

SECTION 60. IC 6-3.1-5-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 9. The state corporation is exempt from all state tax levies, including but not limited to the gross income tax (IC 6-2.1), state gross retail tax (IC 6-2.5), use tax (IC 6-2.5-3), **and** adjusted gross income tax (IC 6-3-1 through IC 6-3-7). ~~and the supplemental net income tax (IC 6-3-8).~~ However, the state corporation is not exempt from employment taxes or taxes imposed by a county or by a municipal corporation.

SECTION 61. IC 6-3.1-5-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) Except as provided in subsection (b), income that is received by a taxpayer **that is a corporation (as defined in IC 6-3-1-10)** by reason of ownership of a qualified investment is exempt from gross income tax (IC 6-2.1) **and** adjusted gross income tax (IC 6-3-1 through IC 6-3-7). ~~and supplemental net income tax (IC 6-3-8).~~

(b) The exemption provided under subsection (a) shall not apply to any income realized by reason of the sale or other disposition of the qualified investment.

SECTION 62. IC 6-3.1-5-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 11. A taxpayer is exempt from a tax to the extent that the tax is based on or measured by a qualified investment, including but not limited to a tax which might otherwise be imposed with respect to the qualified investment. ~~under the bank tax (IC 6-5-10) or the savings and loan association tax (IC 6-5-11).~~

SECTION 63. IC 6-3.1-5-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 13. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

- (1) First, against the taxpayer's gross income tax liability (IC 6-2.1)

1 for the taxable year.

2 (2) Second, against the taxpayer's adjusted gross income tax liability
3 (IC 6-3-1 through IC 6-3-7) for the taxable year.

4 ~~(3) Third, against the taxpayer's supplemental net income tax~~
5 ~~liability (IC 6-3-8) for the taxable year.~~

6 ~~(4) Fourth, against the taxpayer's bank tax liability (IC 6-5-10) or~~
7 ~~savings and loan association tax liability (IC 6-5-11) for the taxable~~
8 ~~year.~~

9 ~~(5) Fifth,~~ **(3) Third**, against the taxpayer's insurance premiums tax
10 liability (IC 27-1-18-2) for the taxable year.

11 (b) If the tax paid by the taxpayer under a tax provision listed in
12 subsection (a) is a credit against the liability or a deduction in
13 determining the tax base under another Indiana tax provision, the credit
14 or deduction shall be computed without regard to the credit to which a
15 taxpayer is entitled under this chapter.

16 (c) A taxpayer that is subject to the financial institutions tax may apply
17 the credit provided by this chapter against the taxpayer's financial
18 institutions tax liability for the taxable year.

19 SECTION 64. IC 6-3.1-6-3 IS AMENDED TO READ AS FOLLOWS
20 [EFFECTIVE JANUARY 1, 2003]: Sec. 3. The department shall apply
21 a credit to which a taxpayer is entitled under this chapter in the
22 following manner:

23 (1) First, against the taxpayer's gross income tax liability for the
24 taxable year.

25 (2) Second, against the taxpayer's adjusted gross income tax liability
26 for the taxable year.

27 ~~(3) Third, against the taxpayer's supplemental net income tax~~
28 ~~liability for the taxable year.~~

29 SECTION 65. IC 6-3.1-7-1, AS AMENDED BY P.L.120-1999,
30 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
31 JANUARY 1, 2003]: Sec. 1. As used in this chapter:

32 "Enterprise zone" means an enterprise zone created under IC 4-4-6.1.

33 "Pass through entity" means a:

34 (1) corporation that is exempt from the adjusted gross income tax
35 under IC 6-3-2-2.8(2);

36 (2) partnership;

37 (3) trust;

38 (4) limited liability company; or

39 (5) limited liability partnership.

40 "Qualified loan" means a loan made to an entity that uses the loan
41 proceeds for:

42 (1) a purpose that is directly related to a business located in an

enterprise zone;

(2) an improvement that increases the assessed value of real property located in an enterprise zone; or

(3) rehabilitation, repair, or improvement of a residence.

"State tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6)~~ (3) IC 27-1-18-2 (the insurance premiums tax); and

~~(7)~~ (4) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, limited liability company, partnership, or other entity that has any state tax liability. The term includes a pass through entity.

SECTION 66. IC 6-3.1-7-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

(1) First, against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.

(2) Second, against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Third, against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(4) Fourth, against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5) Fifth,~~ (3) Third, against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.

(4) Fourth, against the taxpayer's financial institutions tax liability (IC 6-5.5) for the taxable year.

(b) If the tax paid by the taxpayer under a tax provision listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

SECTION 67. IC 6-3.1-9-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter:

1 "Business firm" means any business entity authorized to do business
 2 in the state of Indiana that is:

3 ~~(1) subject to the gross, adjusted gross, supplemental net income, or~~
 4 ~~financial institutions tax;~~

5 ~~(2) an employer exempt from adjusted gross income tax (IC 6-3-1~~
 6 ~~through IC 6-3-7) under IC 6-3-2-2.8(2); or~~

7 ~~(3) a partnership.~~ **has state tax liability.**

8 "Community services" means any type of counseling and advice,
 9 emergency assistance, medical care, recreational facilities, housing
 10 facilities, or economic development assistance to individuals, groups, or
 11 neighborhood organizations in an economically disadvantaged area.

12 "Crime prevention" means any activity which aids in the reduction of
 13 crime in an economically disadvantaged area.

14 "Economically disadvantaged area" means an enterprise zone, or any
 15 area in Indiana that is certified as an economically disadvantaged area
 16 by the department of commerce after consultation with the community
 17 services agency. The certification shall be made on the basis of current
 18 indices of social and economic conditions, which shall include but not
 19 be limited to the median per capita income of the area in relation to the
 20 median per capita income of the state or standard metropolitan statistical
 21 area in which the area is located.

22 "Education" means any type of scholastic instruction or scholarship
 23 assistance to an individual who resides in an economically
 24 disadvantaged area that enables him to prepare himself for better life
 25 opportunities.

26 "Enterprise zone" means an enterprise zone created under IC 4-4-6.1.

27 "Job training" means any type of instruction to an individual who
 28 resides in an economically disadvantaged area that enables him to
 29 acquire vocational skills so that he can become employable or be able
 30 to seek a higher grade of employment.

31 "Neighborhood assistance" means either:

32 (1) furnishing financial assistance, labor, material, and technical
 33 advice to aid in the physical or economic improvement of any part
 34 or all of an economically disadvantaged area; or

35 (2) furnishing technical advice to promote higher employment in
 36 any neighborhood in Indiana.

37 "Neighborhood organization" means any organization, including but
 38 not limited to a nonprofit development corporation:

39 (1) performing community services in an economically
 40 disadvantaged area; and

41 (2) holding a ruling:

42 (A) from the Internal Revenue Service of the United States

Department of the Treasury that the organization is exempt from income taxation under the provisions of the Internal Revenue Code; and

(B) from the department of state revenue that the organization is exempt from income taxation under IC 6-2.1-3-20.

"Pass through entity" means a:

(1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) partnership;

(3) trust;

(4) limited liability company; or

(5) limited liability partnership.

"Person" means any individual subject to Indiana gross or adjusted gross income tax.

"State fiscal year" means a twelve (12) month period beginning on July 1 and ending on June 30.

"State tax liability" means the taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (gross income tax);

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

and

(3) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Tax credit" means a deduction from any tax otherwise due and payable under IC 6-2.1, IC 6-3, or IC 6-5.5.

SECTION 68. IC 6-3.1-9-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. (a) Subject to the limitations provided in subsection (b) and sections 4, 5, and 6 of this chapter, the department shall grant a tax credit against any ~~gross, adjusted gross or supplemental net income~~ **state tax liability** due equal to fifty percent (50%) of the amount invested by a business firm or person in a program the proposal for which was approved under section 2 of this chapter.

(b) The credit provided by this chapter shall only be applied against any ~~income state~~ **tax liability** owed by the taxpayer after the application of any credits, which under IC 6-3.1-1-2 must be applied before the credit provided by this chapter. In addition, the tax credit which a taxpayer receives under this chapter may not exceed twenty-five thousand dollars (\$25,000) for any taxable year of the taxpayer.

(c) If a business firm that is

~~(1) exempt from adjusted gross income tax (IC 6-3-1 through~~

~~IC 6-3-7) under IC 6-3-2-2.8(2); or~~

~~(2) a partnership;~~

a pass through entity does not have any tax liability against which the credit provided by this section may be applied, a shareholder or a partner of the business firm is entitled to a credit against the shareholder's or the partner's liability under the adjusted gross income tax.

(d) The amount of the credit provided by this section is equal to:

(1) the tax credit determined for the business firm for the taxable year under subsection (a); multiplied by

(2) the percentage of the business firm's distributive income to which the shareholder or the partner is entitled.

The credit provided by this section is in addition to any credit to which a shareholder or partner is otherwise entitled under this chapter. However, a business firm and a shareholder or partner of that business firm may not claim a credit under this chapter for the same investment.

SECTION 69. IC 6-3.1-11-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 12. As used in this chapter, "state tax liability" means the taxpayer's total tax liability that is incurred under:

(1) IC 6-2.1 (the gross income tax);

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

~~(3) IC 6-3-8 (the supplemental net income tax);~~

~~(4) IC 6-5-10 (the bank tax);~~

~~(5) IC 6-5-11 (the savings and loan association tax);~~

~~(6) (3) IC 27-1-18-2 (the insurance premiums tax); and~~

~~(7) (4) IC 6-5.5 (the financial institutions tax);~~

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

SECTION 70. IC 6-3.1-11-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 22. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

(1) Against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.

(2) Against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

~~(3) Against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~

~~(4) Against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~

~~(5) (3) Against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.~~

~~(6)~~ (4) Against the taxpayer's financial institutions tax (IC 6-5.5) for the taxable year.

(b) Whenever the tax paid by the taxpayer under any of the tax provisions listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

SECTION 71. IC 6-3.1-11.5-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. As used in this chapter, "state tax liability" means the taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- ~~(3) IC 6-3-8 (the supplemental net income tax);~~
- ~~(4) IC 6-5-10 (the bank tax);~~
- ~~(5) IC 6-5-11 (the savings and loan association tax);~~
- ~~(6)~~ (3) IC 27-1-18-2 (the insurance premiums tax); and
- ~~(7)~~ (4) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

SECTION 72. IC 6-3.1-11.5-24 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 24. (a) A credit to which a taxpayer is entitled under this chapter shall be applied against taxes owed by the taxpayer in the following order:

- (1) Against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.
- (2) Against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.
- ~~(3) Against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~
- ~~(4) Against the taxpayer's bank tax liability (IC 6-5-10) or savings and loan association tax liability (IC 6-5-11) for the taxable year.~~
- ~~(5)~~ (3) Against the taxpayer's insurance premiums tax liability (IC 27-1-18-2) for the taxable year.
- ~~(6)~~ (4) Against the taxpayer's financial institutions tax (IC 6-5.5) for the taxable year.

(b) Whenever the tax paid by the taxpayer under any of the tax provisions listed in subsection (a) is a credit against the liability or a deduction in determining the tax base under another Indiana tax provision, the credit or deduction shall be computed without regard to the credit to which a taxpayer is entitled under this chapter.

SECTION 73. IC 6-3.1-13-9 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 9. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- (3) ~~IC 6-3-8 (the supplemental net income tax);~~
- (4) ~~IC 6-5-10 (the bank tax);~~
- (5) ~~IC 6-5-11 (the savings and loan association tax);~~
- (6) (3) IC 27-1-18-2 (the insurance premiums tax); and
- (7) (4) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 74. IC 6-3.1-13.5-4, AS ADDED BY P.L.291-2001, SECTION 177, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- (3) ~~IC 6-3-8 (the supplemental net income tax);~~
- (4) ~~IC 6-5-10 (the bank tax);~~
- (5) ~~IC 6-5-11 (the savings and loan association tax);~~
- (6) (3) IC 27-1-18-2 (the insurance premiums tax); and
- (7) (4) IC 6-5.5 (the financial institutions tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 75. IC 6-3.1-14-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. The department of state revenue shall apply a credit to which a taxpayer is entitled under this chapter in the following manner:

- (1) First, against the taxpayer's gross income tax liability (IC 6-2.1-1) for the taxable year.
- (2) Second, ~~against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.~~
- (3) ~~Third,~~ against the taxpayer's adjusted gross income liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

SECTION 76. IC 6-3.1-15-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- (3) ~~IC 6-3-8 (the supplemental net income tax);~~

- ~~(4) IC 6-5-10 (the bank tax);~~
- ~~(5) IC 6-5-11 (the savings and loan association tax);~~
- ~~(6) (3) IC 6-5.5 (the financial institutions tax); and~~
- ~~(7) (4) IC 27-1-18-2 (the insurance premiums tax);~~

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 77. IC 6-3.1-16-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under

- (1) IC 6-2.1 (the gross income tax); **and**
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); **and**
- ~~(3) IC 6-3-8 (the supplemental net income tax);~~

as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 78. IC 6-3.1-17-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- ~~(3) IC 6-3-8 (the supplemental net income tax);~~
- ~~(4) IC 6-5-10 (the bank tax);~~
- ~~(5) IC 6-5-11 (the savings and loan association tax);~~
- ~~(6) (3) IC 27-1-18-2 (the insurance premiums tax);~~
- ~~(7) (4) IC 6-5.5 (the financial institutions tax); and~~
- ~~(8) (5) IC 6-2.5 (state gross retail and use tax);~~

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 79. IC 6-3.1-18-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); **and**
- ~~(3) IC 6-3-8 (the supplemental corporate net income tax); and~~
- ~~(4) (3) IC 6-5.5 (the financial institutions tax);~~

as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 80. IC 6-3.1-18-6, AS AMENDED BY P.L.4-1999, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. (a) Subject to the limitations provided in

subsection (b) and sections 7, 8, 9, 10, and 11 of this chapter, the department shall grant a tax credit against any ~~gross; adjusted gross or supplemental net income~~ **state tax liability** due equal to fifty percent (50%) of the amount contributed by a person or an individual to a fund if the contribution is not less than one hundred dollars (\$100) and not more than fifty thousand dollars (\$50,000).

(b) The credit provided by this chapter shall only be applied against any **income state** tax liability owed by the taxpayer after the application of any credits that under IC 6-3.1-1-2 must be applied before the credit provided by this chapter.

SECTION 81. IC 6-3.1-19-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. As used in this chapter, "state and local tax liability" means a taxpayer's total tax liability incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- ~~(3) IC 6-3-8 (the supplemental net income tax);~~
- ~~(4) (3)~~ IC 6-3.5-1.1 (county adjusted gross income tax);
- ~~(5) (4)~~ IC 6-3.5-6 (county option income tax);
- ~~(6) (5)~~ IC 6-3.5-7 (county economic development income tax);
- ~~(7) IC 6-5-10 (the bank tax);~~
- ~~(8) IC 6-5-11 (the savings and loan association tax);~~
- ~~(9) (6)~~ IC 6-5.5 (the financial institutions tax); and
- ~~(10) (7)~~ IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 82. IC 6-3.1-21-5, AS ADDED BY P.L.273-1999, SECTION 227, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 5. An individual who, in a year, has:

- (1) at least one (1) qualifying child;
- (2) Indiana total income from all sources of not more than ~~twelve~~ **fifteen** thousand dollars ~~(\$12,000); (\$15,000);~~ and
- (3) Indiana total income from earned income that is at least eighty percent (80%) of the individual's Indiana total income;

is entitled to a credit against the taxpayer's adjusted gross income tax liability for the taxable year in the amount determined in section 6 of this chapter.

SECTION 83. IC 6-3.1-21-6, AS ADDED BY P.L.273-1999, SECTION 227, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6. The credit authorized under section 5 of this chapter is equal to three and ~~four-tenths six-tenths~~ percent ~~(3.4%)~~ **(3.6%)** of:

(1) ~~twelve~~ **fifteen** thousand dollars ~~(\$12,000); (\$15,000);~~ minus

(2) the amount of the individual's Indiana total income.

If the credit amount exceeds the taxpayer's adjusted gross income tax liability for the taxable year, the excess shall be refunded to the taxpayer.

SECTION 84. IC 6-3.1-21-10, AS AMENDED BY P.L.291-2001, SECTION 152, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. This chapter expires December 31, ~~2003~~; **2005.**

SECTION 85. IC 6-3.1-22.2-3, AS ADDED BY P.L.291-2001, SECTION 149, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-2.5 (state gross retail and use tax);
- (3) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- ~~(4) IC 6-3-8 (the supplemental corporate net income tax);~~
- ~~(5) IC 6-5-10 (the bank tax);~~
- ~~(6) IC 6-5-11 (the savings and loan association tax);~~
- ~~(7) (4) IC 6-5.5 (the financial institutions tax); and~~
- ~~(8) (5) IC 27-1-18-2 (the insurance premiums tax);~~

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 86. IC 6-3.1-23-4, AS ADDED BY P.L.109-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. As used in this chapter, "state tax liability" means a taxpayer's total tax liability incurred under:

- (1) IC 6-2.1 (the gross income tax);
- (2) IC 6-2.5 (the state gross retail and use tax);
- (3) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- ~~(4) IC 6-3-8 (the supplemental net income tax);~~
- ~~(5) IC 6-5-10 (the bank tax);~~
- ~~(6) IC 6-5-11 (the savings and loan association tax);~~
- ~~(7) (4) IC 6-5.5 (the financial institutions tax); and~~
- ~~(8) (5) IC 27-1-18-2 (the insurance premiums tax);~~

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

SECTION 87. IC 6-3.3 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]:

ARTICLE 3.3. EMPLOYER PAYROLL EXPENSE TAX

Chapter 1. Definitions

1 **Sec. 1. As used in this article, the following terms have the**
 2 **meanings set forth in IC 6-3-1:**

3 **(1) Department.**

4 **(2) Employee.**

5 **(3) Internal Revenue Code.**

6 **Sec. 2. As used in this article, "compensation" means wages,**
 7 **salaries, commissions, and any other form of remuneration paid to**
 8 **employees for personal services, but does not include remuneration:**

9 **(1) excluded from the federal definition of wages set forth at**
 10 **Section 3401 of the Internal Revenue Code; or**

11 **(2) paid to a team member (as defined in IC 6-3-2-2.7) who**
 12 **would not be subject to adjusted gross income tax if IC 6-3-2-2.7**
 13 **were not in effect.**

14 **Sec. 3. As used in this article, "employer" means "employer" as**
 15 **defined in Section 3401 of the Internal Revenue Code. However, the**
 16 **term does not include the following:**

17 **(1) The United States government.**

18 **(2) An agency or instrumentality of the United States**
 19 **government.**

20 **(3) The state.**

21 **(4) A state agency (as defined in IC 34-6-2-141).**

22 **(5) A body corporate and politic created by statute.**

23 **(6) A political subdivision (as defined in IC 34-6-2-110).**

24 **(7) A state educational institution (as defined in IC 20-12-0.5-1).**

25 **(8) A private institution of higher education (as defined in**
 26 **IC 20-12-63-3).**

27 **(9) An organization described in Section 501(c)(3) of the**
 28 **Internal Revenue Code.**

29 **(10) Any other entity that is organized and operated exclusively**
 30 **for religious, charitable, scientific, literary, or educational**
 31 **purposes if no part of the entity's income is used for the private**
 32 **benefit or gain of any member, trustee, shareholder, employee**
 33 **or associate of the entity. For purposes of this subdivision, the**
 34 **term "private benefit or gain" does not include reasonable**
 35 **compensation paid to an employee for work or services actually**
 36 **performed.**

37 **(11) A sole proprietor who has no employees.**

38 **Chapter 2. Imposition of Tax**

39 **Sec. 1. Each calendar year, an employer payroll expense tax is**
 40 **imposed on each employer that pays compensation to one (1) or**
 41 **more employees who:**

42 **(1) are Indiana residents; or**

(2) perform work or render services in whole or in part in Indiana.

The incidence of the tax shall be solely upon the employer subject to the tax and shall not be transferred directly or indirectly to the employee in any circumstances.

Sec. 2. The amount of the employer payroll expense tax imposed on an employer for a calendar year is determined as follows:

STEP ONE: Determine the total amount of compensation paid by the employer to employees during the calendar year.

STEP TWO: Multiply the STEP ONE amount by one and three-tenths percent (1.3%).

Chapter 3. Returns and Remittances

Sec. 1. An employer who is subject to the tax imposed by this article shall file an annual return with the department on or before the thirtieth day following the close of the calendar year. An employer may take a credit on an annual return filed under this section for any taxes previously paid by the employer for that calendar year under section 2 or 3 of this chapter.

Sec. 2. (a) Except as provided by subsection (b) or section 3 of this chapter, an employer who is subject to the tax imposed by this article shall file returns with the department and make payments of the tax imposed by this article at the same time the employer files withholding returns under IC 6-3-4. The amount of tax to be paid by the employer with each withholding return is determined as follows:

STEP ONE: Determine the total amount of compensation paid by the employer to employees during the period covered by the withholding return.

STEP TWO: Multiply the STEP ONE amount by one and three-tenths percent (1.3%).

(b) An employer who is required by IC 6-3-4-8.1 to remit monthly withholding taxes due by electronic fund transfer or by delivering a payment by cashier's check, certified check, or money order shall remit the monthly tax payments required by subsection (a) in the same manner and at the same time. If an employer's remittance of employer payroll expense taxes is made by electronic funds transfer, the employer is not required to file a monthly return for those taxes. However, the employer shall file a quarterly return before the twentieth day following the end of each calendar quarter.

Sec. 3. (a) Except as provided by subsection (b), an employer who is subject to the tax imposed by this article but is not required to file withholding returns under IC 6-3-4 shall file monthly returns with

the department and make monthly payments of the tax imposed by this article. The amount of tax to be paid by the employer for each month is determined as follows:

STEP ONE: Determine the total amount of compensation paid by the employer to employees during the month.

STEP TWO: Multiply the STEP ONE amount by one and three-tenths percent (1.3%).

The employer shall pay taxes due under this section for a particular month to the department not later than thirty (30) days after the end of that month.

(b) If the department determines that:

(1) the employer's estimated monthly tax liability under this article for the current calendar year; or

(2) the employer's average monthly tax liability under this article for the preceding calendar year;

exceeds ten thousand dollars (\$10,000), the employer shall remit the monthly tax payments required by this section by electronic funds transfer (as defined in IC 4-8.1-2-7) or by delivering in person or by overnight courier a payment by cashier's check, certified check, or money order to the department. If an employer's remittance is made by electronic funds transfer, the employer is not required to file a monthly return for those taxes. However, the employer shall file a quarterly return before the twentieth day following the end of each calendar quarter.

Sec. 4. The department shall prescribe the procedures and forms for making returns and payments under this chapter, including a procedure for combining the returns required by this section with the withholding returns required by IC 6-3-4.

Chapter 4. Administration and Deposit of Revenue

Sec. 1. The tax imposed by this article is a listed tax for purposes of IC 6-8.1.

Sec. 2. All revenues derived from the collection of the tax imposed by this article shall be deposited in the business account of the property tax replacement fund.

SECTION 88. IC 6-3.5-1.1-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. (a) In determining the amount of property tax replacement credits civil taxing units and school corporations of a county are entitled to receive during a calendar year, the ~~state board department of tax commissioners~~ **local government finance** shall consider only property taxes imposed on tangible property that was assessed in that county.

(b) If a civil taxing unit or a school corporation is located in more than

one (1) county and receives property tax replacement credits from one (1) or more of the counties, then the property tax replacement credits received from each county shall be used only to reduce the property tax rates that are imposed within the county that distributed the property tax replacement credits.

(c) A civil taxing unit shall treat any property tax replacement credits that it receives or is to receive during a particular calendar year as a part of its property tax levy for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.

(d) A school corporation shall treat any property tax replacement credits that the school corporation receives or is to receive during a particular calendar year as a part of its property tax levy for its ~~general~~ **school bus replacement** fund, debt service fund, capital projects fund, transportation fund, and special education preschool fund in proportion to the levy for each of these funds for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-19. A school corporation shall allocate the property tax replacement credits described in this subsection to all five (5) funds in proportion to the levy for each fund.

SECTION 89. IC 6-3.5-7-23, AS ADDED BY P.L.124-1999, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 23. (a) This section applies only to a county having a population of at least forty-five thousand (45,000) but not more than forty-seven thousand (47,000).

(b) The county council may by ordinance determine that, in order to promote the development of libraries in the county and thereby encourage economic development, it is necessary to use economic development income tax revenue to replace library property taxes in the county. However, a county council may adopt an ordinance under this subsection only if all territory in the county is included in a library district.

(c) If the county council makes a determination under subsection (b), the county council may designate the county economic development income tax revenue generated by the tax rate adopted under section 5 of this chapter, or revenue generated by a portion of the tax rate, as revenue that will be used to replace public library property taxes imposed by public libraries in the county. The county council may not designate for library property tax replacement purposes any county economic development income tax revenue that is generated by a tax rate of more than fifteen-hundredths percent (0.15%).

(d) The county treasurer shall establish a library property tax

1 replacement fund to be used only for the purposes described in this
 2 section. County economic development income tax revenues derived
 3 from the portion of the tax rate designated for property tax replacement
 4 credits under subsection (c) shall be deposited in the library property tax
 5 replacement fund before certified distributions are made under section
 6 12 of this chapter.

7 (e) The amount of county economic development income tax revenue
 8 dedicated to providing library property tax replacement credits shall, in
 9 the manner prescribed in this section, be allocated to public libraries
 10 operating in the county and shall be used by those public libraries as
 11 property tax replacement credits. The amount of property tax
 12 replacement credits that each public library in the county is entitled to
 13 receive during a calendar year under this section equals the lesser of:

14 (1) the product of:

15 (A) the amount of revenue deposited by the county auditor in the
 16 library property tax replacement fund; multiplied by

17 (B) a fraction described as follows:

18 (i) The numerator of the fraction equals the sum of the total
 19 property taxes that would have been collected by the public
 20 library during the previous calendar year from taxpayers located
 21 within the library district if the property tax replacement under
 22 this section had not been in effect.

23 (ii) The denominator of the fraction equals the sum of the total
 24 property taxes that would have been collected during the
 25 previous year from taxpayers located within the county by all
 26 public libraries that are eligible to receive property tax
 27 replacement credits under this section if the property tax
 28 replacement under this section had not been in effect; or

29 (2) the total property taxes that would otherwise be collected by the
 30 public library for the calendar year if the property tax replacement
 31 credit under this section were not in effect.

32 ~~The state board of tax commissioners~~ **department of local government**
 33 **finance** shall make any adjustments necessary to account for the
 34 expansion of a library district. However, a public library is eligible to
 35 receive property tax replacement credits under this section only if it has
 36 entered into reciprocal borrowing agreements with all other public
 37 libraries in the county. If the total amount of county economic
 38 development income tax revenue deposited by the county auditor in the
 39 library property tax replacement fund for a calendar year exceeds the
 40 total property tax liability that would otherwise be imposed for public
 41 libraries in the county for the year, the excess shall remain in the library
 42 property tax replacement fund and shall be used for library property tax

1 replacement purposes in the following calendar year.

2 (f) Notwithstanding subsection (e), if a public library did not impose
3 a property tax levy during the previous calendar year, that public library
4 is entitled to receive a part of the property tax replacement credits to be
5 distributed for the calendar year. The amount of property tax
6 replacement credits the public library is entitled to receive during the
7 calendar year equals the product of:

8 (1) the amount of revenue deposited in the library property tax
9 replacement fund; multiplied by

10 (2) a fraction. The numerator of the fraction equals the budget of the
11 public library for that calendar year. The denominator of the fraction
12 equals the aggregate budgets of public libraries in the county for
13 that calendar year.

14 If for a calendar year a public library is allocated a part of the property
15 tax replacement credits under this subsection, then the amount of
16 property tax credits distributed to other public libraries in the county for
17 the calendar year shall be reduced by the amount to be distributed as
18 property tax replacement credits under this subsection. ~~The state board~~
19 **of tax commissioners department of local government finance** shall
20 make any adjustments required by this subsection and provide the
21 adjustments to the county auditor.

22 (g) ~~The state board of tax commissioners~~ **department of local**
23 **government finance** shall inform the county auditor of the amount of
24 property tax replacement credits that each public library in the county
25 is entitled to receive under this section. The county auditor shall certify
26 to each public library the amount of property tax replacement credits
27 that the public library is entitled to receive during that calendar year.
28 The county auditor shall also certify these amounts to the county
29 treasurer.

30 (h) A public library receiving property tax replacement credits under
31 this section shall allocate the credits among each fund for which a
32 distinct property tax levy is imposed. The amount that must be allocated
33 to each fund equals:

34 (1) the amount of property tax replacement credits provided to the
35 public library under this section; multiplied by

36 (2) the amount determined in STEP THREE of the following
37 formula:

38 STEP ONE: Determine the property taxes that would have been
39 collected for each fund by the public library during the previous
40 calendar year if the property tax replacement under this section
41 had not been in effect.

42 STEP TWO: Determine the sum of the total property taxes that

would have been collected for all funds by the public library during the previous calendar year if the property tax replacement under this section had not been in effect.

STEP THREE: Divide the STEP ONE amount by the STEP TWO amount.

However, if a public library did not impose a property tax levy during the previous calendar year or did not impose a property tax levy for a particular fund during the previous calendar year, but the public library is imposing a property tax levy in the current calendar year or is imposing a property tax levy for the particular fund in the current calendar year, the ~~state board of tax commissioners~~ **department of local government finance** shall adjust the amount of property tax replacement credits allocated among the various funds of the public library and shall provide the adjustment to the county auditor. If a public library receiving property tax replacement credits under this section does not impose a property tax levy for a particular fund that is first due and payable in a calendar year in which the property tax replacement credits are being distributed, the public library is not required to allocate to that fund a part of the property tax replacement credits to be distributed to the public library.

(i) For each public library that receives property tax credits under this section, the ~~state board of tax commissioners~~ **department of local government finance** shall certify to the county auditor the property tax rate applicable to each fund after the property tax replacement credits are allocated.

(j) A public library shall treat property tax replacement credits received during a particular calendar year under this section as a part of the public library's property tax levy for each fund for that same calendar year for purposes of fixing the public library's budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.

(k) The property tax replacement credits that are received under this section do not reduce the total county tax levy that is used to compute the state property tax replacement credit under IC 6-1.1-21. For the purpose of computing and distributing certified distributions under IC 6-3.5-1.1 and tax revenue under ~~IC 6-5-10, IC 6-5-11, IC 6-5-12,~~ IC 6-5.5 or IC 6-6-5, the property tax replacement credits that are received under this section shall be treated as though they were property taxes that were due and payable during that same calendar year.

SECTION 90. IC 6-5.5-2-9 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003] **Sec. 9. Refunds under IC 6-1.1-21-13 are exempt from the financial institutions tax imposed under this article.**

SECTION 91. IC 6-5.5-8-2, AS AMENDED BY P.L.273-1999, SECTION 58, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) On or before February 1, May 1, August 1, and December 1 of each year the auditor of state shall transfer to each county auditor for distribution to the taxing units (as defined in IC 6-1.1-1-21) in the county, an amount equal to one-fourth (1/4) of the sum of the guaranteed amounts for all the taxing units of the county. On or before August 1 of each year the auditor of state shall transfer to each county auditor the supplemental distribution for the county for the year.

(b) For purposes of determining distributions under subsection ~~(b)~~; (c), the ~~state board of tax commissioners~~ **department of local government finance** shall determine a state allocation for each county calculated as follows:

(1) For 2000 and each year thereafter, the state welfare allocation for each county equals the greater of zero (0) or the amount determined under the following formula:

STEP ONE: For 1997, 1998, and 1999, determine the result of:

(A) the amounts appropriated by the county in the year for the county's county welfare fund and county welfare administration fund; divided by

(B) the amounts appropriated by all the taxing units in the county in the year;

STEP TWO: Determine the sum of the results determined in STEP ONE.

STEP THREE: Divide the STEP TWO result by three (3).

STEP FOUR: Determine the amount that would otherwise be distributed to all the taxing units in the county under subsection (b) without regard to this subdivision.

STEP FIVE: Determine the result of:

(A) the STEP FOUR amount; multiplied by

(B) the STEP THREE result.

(2) The state welfare allocation shall be deducted from the distributions otherwise payable under subsection ~~(b)~~ (c) to the taxing unit that is a county and shall be deposited in a special account within the state general fund.

~~(b)~~ (c) A taxing unit's guaranteed distribution for a year is the greater of zero (0) or an amount equal to:

(1) the amount received by the taxing unit under IC 6-5-10 **(repealed)** and IC 6-5-11 **(repealed)** in 1989; minus

(2) the amount to be received by the taxing unit in the year of the distribution, as determined by the ~~state board of tax commissioners~~, **department of local government finance**, from property taxes

1 attributable to the personal property of banks, exclusive of the
 2 property taxes attributable to personal property leased by banks as
 3 the lessor where the possession of the personal property is
 4 transferred to the lessee; minus

5 (3) in the case of a taxing unit that is a county, the amount that
 6 would have been received by the taxing unit in the year of the
 7 distribution, as determined by the ~~state board of tax commissioners,~~
 8 **department of local government finance**, from property taxes that:

9 (A) were calculated for the county's county welfare fund and
 10 county welfare administration fund for 2000 but were not
 11 imposed because of the repeal of IC 12-19-3 and IC 12-19-4;
 12 and

13 (B) would have been attributable to the personal property of
 14 banks, exclusive of the property taxes attributable to personal
 15 property leased by banks as the lessor where the possession of
 16 the personal property is transferred to the lessee.

17 ~~(c)~~ (d) The amount of the supplemental distribution for a county for
 18 a year shall be determined using the following formula:

19 STEP ONE: Determine the greater of zero (0) or the difference
 20 between:

21 (A) one-half (1/2) of the taxes that the department estimates will
 22 be paid under this article during the year; minus

23 (B) the sum of all the guaranteed distributions, before the
 24 subtraction of all state welfare allocations under subsection ~~(a)~~;
 25 **(b)**;

26 for all taxing units in all counties plus the bank personal property
 27 taxes to be received by all taxing units in all counties, as determined
 28 under subsection ~~(b)(2)~~ **(c)(2)** for the year.

29 STEP TWO: Determine the quotient of:

30 (A) the amount received under IC 6-5-10 **(repealed)** and
 31 IC 6-5-11 **(repealed)** in 1989 by all taxing units in the county;
 32 divided by

33 (B) the sum of the amounts received under IC 6-5-10 **(repealed)**
 34 and IC 6-5-11 **(repealed)** in 1989 by all taxing units in all
 35 counties.

36 STEP THREE: Determine the product of:

37 (A) the amount determined in STEP ONE; multiplied by

38 (B) the amount determined in STEP TWO.

39 STEP FOUR: Determine the greater of zero (0) or the difference
 40 between:

41 (A) the amount of supplemental distribution determined in STEP
 42 THREE for the county; minus

(B) the amount of refunds granted under IC 6-5-10-7 (**repealed**)
that have yet to be reimbursed to the state by the county treasurer
under IC 6-5-10-13 (**repealed**).

For the supplemental distribution made on or before August 1 of each
year, the department shall adjust the amount of each county's
supplemental distribution to reflect the actual taxes paid under this
article for the preceding year.

~~(d)~~ (e) Except as provided in subsection ~~(f)~~; (g), the amount of the
supplemental distribution for each taxing unit shall be determined using
the following formula:

STEP ONE: Determine the quotient of:

- (A) the amount received by the taxing unit under IC 6-5-10 and
IC 6-5-11 in 1989; divided by
- (B) the sum of the amounts used in STEP ONE (A) for all taxing
units located in the county.

STEP TWO: Determine the product of:

- (A) the amount determined in STEP ONE; multiplied by
- (B) the supplemental distribution for the county, as determined in
subsection (c), STEP FOUR.

~~(e)~~ (f) The county auditor shall distribute the guaranteed and
supplemental distributions received under subsection (a) to the taxing
units in the county at the same time that the county auditor makes the
semiannual distribution of real property taxes to the taxing units.

~~(f)~~ (g) The amount of a supplemental distribution paid to a taxing unit
that is a county shall be reduced by an amount equal to:

- (1) the amount the county would receive under subsection (d)
without regard to this subsection; minus
- (2) an amount equal to:

- (A) the amount under subdivision (1); multiplied by
- (B) the result of the following:

(i) Determine the amounts appropriated by the county in 1997,
1998, and 1999, from the county's county welfare fund and
county welfare administration fund, divided by the total
amounts appropriated by all the taxing units in the county in the
year.

(ii) Divide the amount determined in item (I) by three (3).

SECTION 92. IC 6-5.5-9-3 IS AMENDED TO READ AS FOLLOWS
[EFFECTIVE JANUARY 1, 2003]: Sec. 3. If the tax imposed by this
article is held inapplicable or invalid with respect to a taxpayer, then
notwithstanding the statute of limitations set forth in IC 6-8.1-5-2(a), the
taxpayer is liable for the taxes imposed by ~~IC 6-2-1~~ IC 6-3 and ~~IC 6-5~~ for
the taxable periods with respect to which the tax under this article is

held inapplicable or invalid. ~~In addition, personal property is exempt from assessment and property taxation under IC 6-1-1 if:~~

- ~~(1) the personal property is owned by a financial institution;~~
- ~~(2) the financial institution is subject to the bank tax imposed under IC 6-5-10; and~~
- ~~(3) the property is not leased by the financial institution to a lessee under circumstances in which possession is transferred to the lessee.~~

SECTION 93. IC 6-5.5-9-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 4. (a) A taxpayer who is subject to taxation under this article for a taxable year or part of a taxable year is not, for that taxable year or part of a taxable year, subject to:

- (1) the gross income tax imposed by IC 6-2.1; **and**
- (2) the income taxes imposed by IC 6-3. **and**
- ~~(3) the bank, savings and loan, or production credit association tax imposed by IC 6-5.~~

(b) The exemptions provided for the taxes listed in subsection ~~(a)(1) through (a)(2)~~ do not apply to a taxpayer to the extent the taxpayer is acting in a fiduciary capacity.

SECTION 94. IC 6-7-1-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 12. (a) The following taxes are imposed, and shall be collected and paid as provided in this chapter, upon the sale, exchange, bartering, furnishing, giving away, or otherwise disposing of cigarettes within the state of Indiana:

- (1) On cigarettes weighing not more than three (3) pounds per thousand (1,000), a tax at the rate of ~~seven hundred seventy-five thousandths of a cent (\$0.00775)~~ **two and seventy-five hundredths of a cent (\$0.0275)** per individual cigarette.
- (2) On cigarettes weighing more than three (3) pounds per thousand (1,000), a tax at the rate of ~~one and three-hundredths of a cent (\$0.0103)~~ **three and six thousand five hundred forty-eight ten-thousandths of a cent (\$0.036548)** per individual cigarette, except that if any cigarettes weighing more than three (3) pounds per thousand (1,000) shall be more than six and one-half (6 1/2) inches in length, they shall be taxable at the rate provided in subdivision (1), counting each two and three-fourths (2 3/4) inches (or fraction thereof) as a separate cigarette.

(b) Upon all cigarette papers, wrappers, or tubes, made or prepared for the purpose of making cigarettes, which are sold, exchanged, bartered, given away, or otherwise disposed of within the state of Indiana (other than to a manufacturer of cigarettes for use by him in the manufacture of cigarettes), the following taxes are imposed, and shall be collected and paid as provided in this chapter:

(1) On fifty (50) papers or less, a tax of one-half cent (\$0.005).

(2) On more than fifty (50) papers but not more than one hundred (100) papers, a tax of one cent (\$0.01).

(3) On more than one hundred (100) papers, one-half cent (\$0.005) for each fifty (50) papers or fractional part thereof.

(4) On tubes, one cent (\$0.01) for each fifty (50) tubes or fractional part thereof.

SECTION 95. IC 6-7-1-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 17. (a) Distributors who hold certificates and retailers shall be agents of the state in the collection of the taxes imposed by this chapter and the amount of the tax levied, assessed, and imposed by this chapter on cigarettes sold, exchanged, bartered, furnished, given away, or otherwise disposed of by distributors or to retailers. Distributors who hold certificates shall be agents of the department to affix the required stamps and shall be entitled to purchase the stamps from the department at a discount of ~~four one and~~ **two-tenths** percent (~~4%~~) (**1.2%**) of the amount of the tax stamps purchased, as compensation for their labor and expense.

(b) The department may permit distributors who hold certificates and who are admitted to do business in Indiana to pay for revenue stamps within thirty (30) days after the date of purchase. However, the privilege is extended upon the express condition that a bond or letter of credit satisfactory to the department, in an amount not less than the sales price of the stamps, is filed with the department, and proof of payment is made of all local property, state income, and excise taxes for which any such distributor may be liable. The bond or letter of credit, conditioned to secure payment for the stamps, shall be executed by the distributor as principal and by a corporation duly authorized to engage in business as a surety company or financial institution in Indiana.

SECTION 96. IC 6-7-1-28.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE AUGUST 1, 2002]: Sec. 28.1. The taxes, registration fees, fines, or penalties collected under this chapter shall be deposited in the following manner:

(1) ~~Seven thirty-firsts (7/31)~~ **Six and seven tenths percent (6.7%)** of the money shall be deposited in a fund to be known as the cigarette tax fund.

(2) ~~One thirty-first (1/31)~~ **Ninety-six hundredths percent (0.96%)** of the money shall be deposited in a fund to be known as the mental health centers fund.

(3) ~~Fourteen thirty-firsts (14/31)~~ **Thirteen and four tenths percent (13.4%)** of the money shall be deposited in the state general fund.

(4) ~~Nine thirty-firsts (9/31)~~ **Eight and sixty-one hundredths**

percent (8.61%) of the money shall be deposited into the pension relief fund established in IC 5-10.3-11.

(5) Seventy and thirty-three hundredths percent (70.33%) of the money shall be deposited in the residential account of the property tax replacement fund.

The money in the cigarette tax fund, the mental health centers fund, or the pension relief fund at the end of a fiscal year does not revert to the state general fund. However, if in any fiscal year, the amount allocated to a fund under subdivision (1) or (2) is less than the amount received in fiscal year 1977, then that fund shall be credited with the difference between the amount allocated and the amount received in fiscal year 1977, and the allocation for the fiscal year to the fund under subdivision (3) shall be reduced by the amount of that difference.

SECTION 97. IC 6-8.1-1-1, AS AMENDED BY P.L.151-2001, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. "Listed taxes" or "taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the riverboat admissions tax (IC 4-33-12); the riverboat wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1); **the business supplemental tax (IC 6-2.2);** the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8) **(repealed); the employer payroll expense tax (IC 6-3.3);** the county adjusted gross income tax (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county economic development income tax (IC 6-3.5-7); the municipal option income tax (IC 6-3.5-8); the auto rental excise tax (IC 6-6-9); ~~the bank tax (IC 6-5-10); the savings and loan association tax (IC 6-5-11); the production credit association tax (IC 6-5-12);~~ the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various county food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage

1 tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and
 2 any other tax or fee that the department is required to collect or
 3 administer.

4 SECTION 98. IC 6-8.1-1-5 IS AMENDED TO READ AS FOLLOWS
 5 [EFFECTIVE JANUARY 1, 2003]: Sec. 5. "Income tax" includes the
 6 gross income tax (IC 6-2.1), the adjusted gross income tax (IC 6-3), ~~the~~
 7 ~~supplemental net income tax (IC 6-3-8)~~, the county adjusted gross
 8 income tax (IC 6-3.5-1.1), and the county option income tax
 9 (IC 6-3.5-6).

10 SECTION 99. IC 6-8.1-4-1.6 IS AMENDED TO READ AS
 11 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1.6. Subject to the
 12 discretion of the commissioner as set forth in section 1 of this chapter,
 13 the commissioner shall establish within the department a special tax
 14 division. The division shall do the following:

15 (1) Administer and enforce the following:

16 ~~(A) Bank tax (IC 6-5-10).~~

17 ~~(B) Savings and loan association tax (IC 6-5-11).~~

18 ~~(C) Production credit association tax (IC 6-5-12).~~

19 ~~(D)~~ (A) Gasoline tax (IC 6-6-1.1).

20 ~~(E)~~ (B) Special fuel tax (IC 6-6-2.5).

21 ~~(F)~~ (C) Motor carrier fuel tax (IC 6-6-4.1).

22 ~~(G)~~ (D) Hazardous waste disposal tax (IC 6-6-6.6).

23 ~~(H)~~ (E) Cigarette tax (IC 6-7-1).

24 ~~(I)~~ (F) Tobacco products tax (IC 6-7-2).

25 ~~(J)~~ (G) Alcoholic beverage tax (IC 7.1-4).

26 ~~(K)~~ (H) Petroleum severance tax (IC 6-8-1).

27 ~~(L)~~ (I) Any other tax the commissioner designates.

28 (2) Upon the commissioner's request, conduct studies of the
 29 department's operations and recommend whatever changes seem
 30 advisable.

31 (3) Annually audit a statistical sampling of the returns filed for the
 32 taxes administered by the division.

33 (4) Annually audit a statistical sampling of registrants with the
 34 bureau of motor vehicles, international registration plan division.

35 (5) Review federal tax returns and other data that may be helpful in
 36 performing the division's function.

37 (6) Furnish, at the commissioner's request, information that the
 38 commissioner requires.

39 (7) Conduct audits requested by the commissioner or the
 40 commissioner's designee.

41 (8) Administer the statutes providing for motor carrier regulation
 42 (IC 8-2.1).

SECTION 100. IC 6-8.1-5-2, AS AMENDED BY P.L.181-1999, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) Except as otherwise provided in this section, the department may not issue a proposed assessment under section 1 of this chapter more than three (3) years after the latest of the date the return is filed, or any of the following:

(1) the due date of the return; or

(2) in the case of a return filed for the state gross retail or use tax, the gasoline tax, the special fuel tax, the motor carrier fuel tax, the oil inspection fee, or the petroleum severance tax, the end of the calendar year which contains the taxable period for which the return is filed.

(b) If a person files an adjusted gross income tax (IC 6-3), supplemental net income tax (IC 6-3-8) (**repealed**), county adjusted gross income tax (IC 6-3.5-1.1), county option income tax (IC 6-3.5-6), or financial institutions tax (IC 6-5.5) return that understates the person's income, as that term is defined in the particular income tax law, by at least twenty-five percent (25%), the proposed assessment limitation is six (6) years instead of the three (3) years provided in subsection (a).

(c) In the case of the motor vehicle excise tax (IC 6-6-5), the tax shall be assessed as provided in IC 6-6-5-5 and IC 6-6-5-6 and shall include the penalties and interest due on all listed taxes not paid by the due date. A person that fails to properly register a vehicle as required by IC 9-18 and pay the tax due under IC 6-6-5 is considered to have failed to file a return for purposes of this article.

(d) In the case of the commercial vehicle excise tax imposed under IC 6-6-5.5, the tax shall be assessed as provided in IC 6-6-5.5 and shall include the penalties and interest due on all listed taxes not paid by the due date. A person that fails to properly register a commercial vehicle as required by IC 9-18 and pay the tax due under IC 6-6-5.5 is considered to have failed to file a return for purposes of this article.

(e) If a person files a fraudulent, unsigned, or substantially blank return, or if a person does not file a return, there is no time limit within which the department must issue its proposed assessment.

(f) If, before the end of the time within which the department may make an assessment, the department and the person agree to extend that assessment time period, the period may be extended according to the terms of a written agreement signed by both the department and the person. The agreement must contain:

(1) the date to which the extension is made; and

(2) a statement that the person agrees to preserve the person's records until the extension terminates.

The department and a person may agree to more than one (1) extension under this subsection.

(g) If a taxpayer's federal income tax liability for a taxable year is modified due to the assessment of a federal deficiency or the filing of an amended federal income tax return, then the date by which the department must issue a proposed assessment under section 1 of this chapter for tax imposed under IC 6-3 is extended to six (6) months after the date on which the notice of modification is filed with the department by the taxpayer.

SECTION 101. IC 8-22-3.5-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 10. (a) Except in a county described in section 1(5) of this chapter, if the commission adopts the provisions of this section by resolution, each taxpayer in the airport development zone is entitled to an additional credit for property taxes that, under IC 6-1.1-22-9, are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of property taxes. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the airport development zone:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) through IC 6-1.1-21-2(g)(5) **and the general school operating levies (as defined in IC 6-1.1-21-2)** that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of **the sum of:**

(i) ~~twenty~~ **thirty-nine** percent (~~20%~~) (**39%**) of the county's total county tax levy payable that year; **and**

(ii) **one hundred percent (100%) of the general school operating levies (as defined in IC 6-1.1-21-2) for that year;**

as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the total amount of the taxpayer's property taxes levied in the taxing district that would have been allocated to the special funds under section 9 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated and paid into the special funds under section 9 of this chapter.

(b) The additional credit under subsection (a) shall be:

(1) computed on an aggregate basis of all taxpayers in a taxing

1 district that contains all or part of an airport development zone; and

2 (2) combined on the tax statement sent to each taxpayer.

3 (c) Concurrently with the mailing or other delivery of the tax
4 statement or any corrected tax statement to each taxpayer, as required by
5 IC 6-1.1-22-8(a), each county treasurer shall for each tax statement also
6 deliver to each taxpayer in an airport development zone who is entitled
7 to the additional credit under subsection (a) a notice of additional credit.
8 The actual dollar amount of the credit, the taxpayer's name and address,
9 and the tax statement to which the credit applies shall be stated on the
10 notice.

11 SECTION 102. IC 8-22-3.5-15 IS AMENDED TO READ AS
12 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) As used in
13 this section, "state income tax liability" means a tax liability that is
14 incurred under:

15 (1) IC 6-2.1 (the gross income tax);

16 (2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax); **or**

17 ~~(3) IC 6-3-8 (the supplemental net income tax); or~~

18 ~~(4)~~ **(3)** any other tax imposed by this state and based on or measured
19 by either gross income or net income.

20 (b) The attraction of qualified airport development projects to a
21 consolidated city within Indiana is a governmental function of general
22 public benefit for all the citizens of Indiana.

23 (c) As an incentive to attract qualified airport development projects to
24 Indiana, for a period of thirty-five (35) years, beginning January 1, 1991,
25 persons that locate and operate a qualified airport development project
26 in an airport development zone in a consolidated city shall not incur,
27 notwithstanding any other law, any state income tax liability as a result
28 of:

29 (1) activities associated with locating the qualified airport
30 development project in the consolidated city;

31 (2) the construction or completion of the qualified airport
32 development project;

33 (3) the employment of personnel or the ownership or rental of
34 property at or in conjunction with the qualified airport development
35 project; or

36 (4) the operation of, or the activities at or in connection with, the
37 qualified airport development project.

38 (d) The department of state revenue shall adopt rules under IC 4-22-2
39 to implement this section.

40 SECTION 103. IC 9-29-11-1 IS AMENDED TO READ AS
41 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. (a) The main
42 department, office, agency, or other person under whose supervision a

law enforcement officer carries on the law enforcement officer's duties may charge a fee that is fixed by:

(1) rule of the state police department, if the department supplying a copy of the accident report is the state police department; or

(2) ordinance of the fiscal body in all other cases;

in an amount not less than three dollars (\$3) for each report.

(b) The fee collected under subsection (a) shall be deposited in the following manner:

(1) If the department supplying a copy of the accident report is the state police department, in a separate account known as the "accident report account". The account may be expended at the discretion of the state police superintendent for a purpose reasonably related to the keeping of accident reports and records or the prevention of street and highway accidents.

(2) If the department supplying a copy of the accident report is the sheriff, county police, or county coroner, in a separate account known as the "accident report account". The account may be expended at the discretion of the chief administrative officer of the entity that charged the fee for any purpose reasonably related to the keeping of accident reports and records or the prevention of street and highway accidents.

(3) If the department supplying a copy of the accident report is a city or town police department, in the local law enforcement continuing education fund established by IC 5-2-8-2.

SECTION 104. IC 12-15-5-1, AS AMENDED BY P.L.149-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. Except as provided in IC 12-15-2-12, IC 12-15-6, and IC 12-15-21, the following services and supplies are provided under Medicaid:

(1) Inpatient hospital services.

(2) Nursing facility services.

(3) Physician's services, including services provided under:

(A) IC 25-10-1, except that these services:

(i) may be limited by the office under rules adopted under IC 4-22-2; and

(ii) do not include services for children less than nineteen (19) years of age; and

(B) IC 25-22.5-1.

(4) Outpatient hospital or clinic services.

(5) Home health care services.

(6) Private duty nursing services.

- (7) Physical therapy and related services.
- (8) Dental services, **except that the office may, under rules adopted under IC 4-22-2, place limitations on the amount expended for services. Limitations may not be placed on services for preventive care.**
- (9) Prescribed laboratory and x-ray services.
- (10) Prescribed drugs and services.
- (11) Eyeglasses and prosthetic devices.
- (12) Optometric services.
- (13) Diagnostic, screening, preventive, and rehabilitative services.
- (14) Podiatric medicine services.
- (15) Hospice services.
- (16) Services or supplies recognized under Indiana law and specified under rules adopted by the office.
- (17) Family planning services except the performance of abortions.
- (18) Nonmedical nursing care given in accordance with the tenets and practices of a recognized church or religious denomination to an individual qualified for Medicaid who depends upon healing by prayer and spiritual means alone in accordance with the tenets and practices of the individual's church or religious denomination.
- (19) Services provided to individuals described in IC 12-15-2-8 and IC 12-15-2-9.
- (20) Services provided under IC 12-15-34 and IC 12-15-32.
- (21) Case management services provided to individuals described in IC 12-15-2-11 and IC 12-15-2-13.
- (22) Any other type of remedial care recognized under Indiana law and specified by the United States Secretary of Health and Human Services.
- (23) Examinations required under IC 16-41-17-2(a)(10).

SECTION 105. IC 12-15-10-7 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS** [EFFECTIVE JULY 1, 2002]: **Sec. 7. (a) The office may require a recipient to select one (1) pharmacy in which the recipient may fill a prescription covered under Medicaid.**

(b) Except as provided under subsection (c), prescription coverage under Medicaid applies only if a recipient required to select a pharmacy under subsection (a) fills the prescription at the pharmacy selected.

(c) A recipient required to select a pharmacy under subsection (a) may obtain not more than a seventy-two (72) hour supply of a prescription drug in an emergency situation or on a weekend at a pharmacy other than the pharmacy selected.

SECTION 106. IC 12-15-12-14, AS ADDED BY P.L.291-2001,
SECTION 160, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
JULY 1, 2002]: Sec. 14. (a) This section applies to a Medicaid recipient:
~~who:~~

(1) **who** is determined by the office to be eligible for enrollment in
a Medicaid managed care program; ~~and~~

(2) **whose Medicaid eligibility is not based on the individual's
aged, blind, or disabled status; and**

(3) **who** resides in a county having a population of:

(A) more than ~~one hundred fifty thousand (150,000)~~ but less than
~~one hundred sixty thousand (160,000)~~; **one hundred eighty-two
thousand seven hundred ninety (182,790) but less than two
hundred thousand (200,000);**

(B) more than ~~one hundred sixty thousand (160,000)~~ but less than
~~two hundred thousand (200,000)~~; **one hundred seventy thousand
(170,000) but less than one hundred eighty thousand
(180,000);**

(C) more than two hundred thousand (200,000) but less than three
hundred thousand (300,000);

(D) more than three hundred thousand (300,000) but less than
four hundred thousand (400,000); or

(E) more than four hundred thousand (400,000) but less than
seven hundred thousand (700,000).

(b) Not later than January 1, 2003, the office shall require a recipient
described in subsection (a) to enroll in the risk-based managed care
program.

(c) The office:

(1) shall apply to the United States Department of Health and
Human Services for any approval necessary; and

(2) may adopt rules under IC 4-22-2;

to implement this section.

SECTION 107. IC 12-17.6-3-3, AS ADDED BY P.L.273-1999,
SECTION 177, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
JULY 1, 2002]: Sec. 3. (a) Subject to subsection (b), a child who is
eligible for the program shall receive services from the program until the
earlier of the following:

~~(1) The end of a period of twelve (12) consecutive months following
the determination of the child's eligibility for the program.~~

(1) The child becomes financially ineligible.

(2) The child becomes nineteen (19) years of age.

(b) Subsection (a) applies only if the child and the child's family
comply with enrollment requirements.

SECTION 108. IC 12-17.6-4-2, AS ADDED BY P.L.273-1999, SECTION 177, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) The benefit package provided under the program shall focus on age appropriate preventive, primary, and acute care services.

(b) The office shall offer health insurance coverage for the following basic services:

- (1) Inpatient and outpatient hospital services.
- (2) Physicians' services, **except chiropractic services**, provided by a physician (as defined in 42 U.S.C. 1395x(r)).
- (3) Laboratory and x-ray services.
- (4) Well-baby and well-child care, including:
 - (A) age appropriate immunizations; and
 - (B) periodic screening, diagnosis, and treatment services according to a schedule developed by the office.

The office may offer services in addition to those listed in this subsection if appropriations to the program exist to pay for the additional services.

(c) The office shall offer health insurance coverage for the following additional services if the coverage for the services has an actuarial value equal to or greater than the actuarial value of the services provided by the benchmark program determined by the children's health policy board established by IC 4-23-27-2:

- (1) Prescription drugs.
- (2) Mental health services.
- (3) Vision services.
- (4) Hearing services.
- (5) Dental services.

(d) Notwithstanding subsections (b) and (c), the office may not impose treatment limitations or financial requirements on the coverage of services for a mental illness if similar treatment limitations or financial requirements are not imposed on coverage for services for other illnesses.

SECTION 109. IC 20-3-11-20 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 20. (a) Each such board of school commissioners may from time to time, whenever its general fund shall be exhausted or in the board's judgment be in danger of exhaustion, make temporary loans for the use of its general fund to be paid out of the:

- (1) proceeds of taxes theretofore levied by such school city for its general fund; **and**
- (2) **anticipated state tuition support distributions.**

1 The amount so borrowed in aid of said general fund shall be paid into
 2 said general fund and may be used for any purpose for which the said
 3 general fund lawfully may be used.

4 **(b)** Any such temporary loan shall be evidenced by the promissory
 5 note or notes of said school city, shall bear interest at not more than
 6 seven per cent (7%) per annum, interest payable at the maturity of the
 7 note or periodically, as the note may express, and shall mature at such
 8 time or times as the board of school commissioners may decide, but not
 9 later than one (1) year from the date of the note. No such loan or loans
 10 made in any one (1) calendar year shall be for a sum greater than the
 11 amount estimated by said board as the:

12 **(1)** proceeds to be received by it from the levy of taxes theretofore
 13 made by said school city in behalf of; **and**

14 **(2) amount of state tuition support distributions estimated to be**
 15 **received for and distributed to;**

16 its said general fund.

17 **(c)** Successive loans may be made in aid of said general fund in any
 18 calendar year, but the aggregate amount thereof, outstanding at any one
 19 (1) time, shall not exceed such estimated:

20 **(1)** proceeds of taxes levied in behalf of; **and**

21 **(2) state tuition support distributions to be received for and**
 22 **distributed to;**

23 the said general fund.

24 **(d)** No such loan shall be made until notice asking for bids therefor
 25 shall have been given by newspaper publication, which publication shall
 26 be made one (1) time in a newspaper published in said city and said
 27 publication shall be at least seven (7) days before the time when bids for
 28 such loans will be opened. Bidders shall name the amount of interest
 29 they agree to accept not exceeding seven per cent (7%) per annum, and
 30 the loan shall be made to the bidder or bidders bidding the lowest rate
 31 of interest. The note or notes or warrants shall not be delivered until the
 32 full price of the face thereof shall be paid to the treasurer of said school
 33 city, and no interest shall accrue thereon before such delivery.

34 **(e)** Any such school corporation wishing to make a temporary loan in
 35 aid of its general fund, finding that it has need to exercise the power in
 36 this section above given to make a temporary loan, which has in its
 37 treasury money derived from the sale of bonds, which money derived
 38 from the sale of bonds can not or will not, in the due course of the
 39 business of said school city, be expended in the then near future, may,
 40 if it so elects, temporarily borrow, and without payment of interest, from
 41 such bond fund, for the use and aid of said general fund in the manner
 42 and to the extent hereinafter expressed, viz.: Such school city shall, by

its board of school commissioners, take all the steps required by law to effect such temporary loan up to the point of advertising for bids or offers for such loans. It shall then present to the ~~state board of tax commissioners of the state of Indiana~~, **department of local government finance**, and to the state board of accounts of the state of Indiana, a copy of the corporate action of said school city concerning its desire to make such temporary loan and a petition showing the particular need for such temporary loan, and the amount and the date or dates when said general fund will need such temporary loan, or instalments of such loan, and the date at which such loan, and each instalment thereof, will be needed, and the estimated amounts from taxes **and state tuition support** to come into said general fund, and the dates when it is expected such proceeds of taxes **and state tuition support** will be received by such school city in behalf of said general fund, and showing what amount of money said school city has in any fund derived from the proceeds of the sale of bonds, which can not or will not be expended in the then near future, and showing when and to what extent and why money in such bond fund, not soon to be expended, will not be expended in the then near future and requesting that said ~~state board of tax commissioners~~, **department of local government finance** and said state board of accounts, respectively, authorize a temporary loan from said bond fund in aid of said general fund.

(f) If said ~~state board of tax commissioners~~ **department of local government finance** shall find and order that there is need for such temporary loan, and that it should be made, and said state board of accounts shall find that the money proposed to be borrowed will not be needed during the period of the temporary loan by the fund from which it is to be borrowed, and ~~said two (2) state boards~~ **the department of local government finance and the state board of accounts** shall approve the loan, the business manager and treasurer of said school city shall, upon such approval by said two (2) state boards, take all steps necessary to transfer the amount of such loans, as a temporary loan from the fund to be borrowed from, to said general fund of such school city. The loan so effected shall, for all purposes, be a debt of the school city chargeable against its constitutional debt limit.

~~Such two (2) state boards~~ (g) **The department of local government finance and the state board of accounts** may fix the aggregate amount so to be borrowed on any one (1) petition and shall determine at what time or times and in what instalments and for what periods it shall be borrowed. The treasurer and business manager of such school city, from time to time, as money shall be collected from taxes levied in behalf of said general fund, shall credit the same on such loan until the amount

1 borrowed is fully repaid to the lending fund, and they shall at the end of
 2 each calendar month report to the board the several amounts so applied
 3 from taxes **and state tuition support** to the payment of such loan.

4 **(h)** The school city shall, as often as once a month, report to ~~both of~~
 5 ~~said state boards~~ **the department of local government finance and the**
 6 **state board of accounts** the amount of money then so borrowed and
 7 unpaid, the anticipated like borrowings of the current month, the amount
 8 left in the said general fund, and the anticipated drafts upon the lending
 9 bond fund for the objects for which that fund was created.

10 ~~Said two (2) state boards, or either of them;~~ **(i) The department of**
 11 **local government finance or the state board of accounts, or both,**
 12 may, if it ~~shall seem to said boards, or to either of them,~~ **seems to the**
 13 **department of local government finance or the state board of**
 14 **accounts, or both,** that the fund from which the loan was made requires
 15 the repayment of all or of part of such loan(s) before its maturity or said
 16 general fund no longer requires all or some part of the proceeds of such
 17 loan, require such school city to repay all or any part of such loan, and,
 18 if necessary to perform the requirement, such school city shall exercise
 19 its power of making a temporary loan procured from others to raise the
 20 money so needed to repay the lending bond fund the amount so ordered
 21 repaid.

22 SECTION 110. IC 20-5-4-6 IS AMENDED TO READ AS FOLLOWS
 23 [EFFECTIVE JANUARY 1, 2003]: Sec. 6. If the governing board shall
 24 find, by written resolution, that an emergency exists which requires the
 25 expenditure of any money for any lawful corporate purpose which was
 26 not included in its existing budget and tax levy, it may authorize the
 27 making of an emergency loan which may be evidenced by the issuance
 28 of its note or notes in the same manner and subject to the same
 29 procedure and restrictions as provided for the issuance of its bonds,
 30 except as to purpose. At the time for making the next annual budget and
 31 tax levy for such school corporation, the governing body shall:

32 **(1)** make a levy;

33 **(2)** **pledge an amount from the school corporation's anticipated**
 34 **state tuition support distribution; or**

35 **(3)** **do both of the actions under subdivisions (1) and (2);**

36 to the credit of the fund for which such expenditure is made sufficient
 37 to pay such debt and the interest thereon; however, the interest on the
 38 loan may be paid from the debt service fund.

39 SECTION 111. IC 20-5-4-8 IS AMENDED TO READ AS FOLLOWS
 40 [EFFECTIVE JANUARY 1, 2003]: Sec. 8. (a) Whenever the governing
 41 board of a school corporation finds and declares that an emergency
 42 exists for the borrowing of money with which to pay current expenses

from a particular fund before the receipt of revenues from taxes levied or state tuition support distributions for such fund, the governing board may issue warrants in anticipation of the receipt of:

(1) said revenues;

(2) **state tuition support distributions; or**

(3) **both items listed in subdivisions (1) and (2).**

(b) The principal of these warrants shall be payable solely from the fund for which the taxes are levied or from the general fund in the case of anticipated state tuition support distributions. However, the interest on these warrants may be paid from the debt service fund, from the fund for which the taxes are levied, or the general fund in the case of anticipated state tuition support distributions.

(c) The amount of principal of temporary loans maturing on or before June 30 for any fund shall not exceed eighty percent (80%) of the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund at the June settlement.

(d) The amount of principal of temporary loans maturing after June 30, and on or before December 31, shall not exceed eighty percent (80%) of the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund at the December settlement.

(e) At each settlement, the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund includes any allocations to the fund from the property tax replacement fund.

(f) The estimated amount of taxes and state tuition support distributions to be collected or received and distributed shall be made by the county auditor or the auditor's deputy. The warrants evidencing any loan in anticipation of tax revenue, ~~or~~ state tuition support distributions, **or both tax revenue and state tuition support distributions**, shall not be delivered to the purchaser of the warrant nor payment made on the warrant before January 1 of the year the loan is to be repaid. However, the proceedings necessary to the loan may be held and carried out before January 1 and before the approval. The loan may be made even though a part of the last preceding June or December settlement has not yet been received.

(g) Proceedings for the issuance and sale of warrants for more than one (1) fund may be combined, but separate warrants for each fund shall be issued and each warrant shall state on its face the fund from which its principal is payable. No action to contest the validity of such warrants shall be brought later than fifteen (15) days from the first publication of

1 notice of sale.

2 (h) No issue of tax or state tuition support anticipation warrants shall
3 be made if the aggregate of all these warrants exceed twenty thousand
4 dollars (\$20,000) until the issuance is advertised for sale, bids received,
5 and an award made by the governing board as required for the sale of
6 bonds, except that the sale notice need not be published outside of the
7 county nor more than ten (10) days before the date of sale.

8 SECTION 112. IC 20-9.1-4-12 IS ADDED TO THE INDIANA CODE
9 AS A **NEW SECTION TO READ AS FOLLOWS** [EFFECTIVE JULY
10 1, 2002]: **Sec. 12. The state police department may adopt rules under**
11 **IC 4-22-2 concerning inspections conducted under section 5 of this**
12 **chapter, including the imposition of fees for the inspections.**

13 SECTION 113. IC 20-14-10-14 IS AMENDED TO READ AS
14 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 14. All property
15 owned by a lessor corporation contracting with a public corporation or
16 corporations under this chapter, and all stock and other securities
17 including the interest or dividends issued by a lessor corporation, are
18 exempt from all state, county, and other taxes, ~~including gross income~~
19 ~~taxes; but~~ excluding the financial institutions tax and the inheritance
20 taxes. ~~The rental paid to a lessor corporation under the terms of a lease~~
21 ~~is exempt from gross income tax.~~

22 SECTION 114. IC 21-2-11.5-3, AS AMENDED BY P.L.96-2000,
23 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
24 JANUARY 1, 2003]: Sec. 3. (a) Subject to subsection (b), each school
25 corporation may levy for the calendar year a property tax for the school
26 transportation fund sufficient to pay all operating costs attributable to
27 transportation that:

28 (1) are not paid from other revenues available to the fund as
29 specified in section 4 of this chapter; and

30 (2) are listed in section 2(a)(1) through 2(a)(7) of this chapter.

31 (b) ~~For taxes first due and payable in 1996, the property tax levy for~~
32 ~~the fund may not exceed the amount determined using the following~~
33 ~~formula:~~

34 ~~STEP ONE: Determine the sum of the expenditures attributable to~~
35 ~~operating costs listed in section 2(a)(1) through 2(a)(7) of this~~
36 ~~chapter that were made by the school corporation as determined by~~
37 ~~the state board of tax commissioners for all operating costs~~
38 ~~attributable to transportation that are not paid from other revenues~~
39 ~~available to the fund for school years ending in 1993, 1994, and~~
40 ~~1995.~~

41 ~~STEP TWO: Divide the amount determined in STEP ONE by three~~
42 ~~(3).~~

STEP THREE: Determine the greater of:

(A) the STEP TWO amount; or

(B) the school corporation's actual transportation fund levy attributable to operating costs for property taxes first due and payable in 1995.

STEP FOUR: Multiply the amount determined in STEP THREE by one and five-hundredths (1.05):

(c) (b) For each year after 1996, **2002**, the levy for the fund may not exceed the levy for the previous year multiplied by the assessed value growth quotient determined ~~using~~ **under STEP FOUR** of the following formula:

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective:

STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the school corporation's total assessed value of all taxable property in the particular calendar year, divided by the school corporation's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year:

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3):

STEP FOUR: Determine the greater of the result computed in STEP THREE or one and five-hundredths (1.05):

STEP FIVE: Determine the lesser of the result computed in STEP FOUR or one and one-tenth (1.1):

If the assessed values of taxable property used in determining a school corporation's property taxes that are first due and payable in a particular calendar year are significantly increased over the assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that school corporation's real property; then for purposes of determining that school corporation's assessed value growth quotient for an ensuing calendar year, the state board of tax commissioners shall replace the quotient described in STEP TWO for that particular calendar year. The state board of tax commissioners shall replace that quotient with one that as accurately as possible will reflect the actual growth in the school corporation's assessed values of real property from the immediately preceding calendar year to that particular calendar year. The maximum property levy limit computed under this section for the school

transportation fund shall be reduced to reflect the transfer of costs for operating to the school bus replacement fund under section 2(e) of this chapter. The total reduction in the school transportation fund maximum property tax levy may not exceed the amount of the fair market lease value of the contracted transportation service expenditures paid from the fund before the transfer.

STEP ONE: For each of the six (6) calendar years immediately preceding the year in which a budget is adopted under IC 6-1.1-17-5 or IC 6-1.1-17-5.6 for part or all of the ensuing calendar year, divide the Indiana personal income for the calendar year by the Indiana personal income for the calendar year immediately preceding that calendar year, rounding to the nearest one-thousandth (0.001).

STEP TWO: Determine the sum of the STEP ONE results.

STEP THREE: Divide the STEP TWO result by six (6), rounding to the nearest one-thousandth (0.001).

STEP FOUR: Determine the lesser of the following:

(A) The STEP THREE quotient.

(B) One and six hundredths (1.06).

(d) Each school corporation may levy for the calendar year a tax for the school bus replacement fund in accordance with the school bus acquisition plan adopted under section 3.1 of this chapter.

(e) The tax rate and levy for each fund shall be established as a part of the annual budget for the calendar year in accord with IC 6-1.1-17.

SECTION 115. IC 21-2-12-6.1, AS AMENDED BY P.L.3-2000, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 6.1. (a) The county supplemental school financing tax revenues shall be deposited in the county supplemental school distribution fund. In addition, for purposes of allocating distributions of tax revenues collected under ~~IC 6-5-10~~, ~~IC 6-5-11~~, IC 6-5.5, IC 6-6-5, IC 6-6-5.5, or IC 6-6-6.5, the county supplemental school financing tax shall be treated as if it were property taxes imposed by a separate taxing unit. Thus, the appropriate portion of those distributions shall be deposited in the county supplemental school distribution fund.

(b) The entitlement of each school corporation from the county supplemental school distribution fund for each calendar year after 2000 shall be the greater of:

(1) the amount of its entitlement for the calendar year 2000 from the tax levied under this chapter; or

(2) an amount equal to twenty-seven dollars and fifty cents (\$27.50) times its ADM.

SECTION 116. IC 21-3-1.7-2, AS AMENDED BY P.L.181-1999,
SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
JULY 1, 2002]: Sec. 2. As used in this chapter, "excise tax revenue"
means the amount of:

- (1) financial institution excise tax revenue (~~IC 6-5-10, IC 6-5-11,~~
~~IC 6-5-12~~) (or the amount of any distribution by the state to replace
these taxes); **(IC 6-5.5)**; plus
- (2) the motor vehicle excise taxes (IC 6-6-5) and the commercial
vehicle excise taxes (IC 6-6-5.5);

the school corporation received for deposit in the school corporation's
general fund in a year.

SECTION 117. IC 21-3-1.7-3.1, AS AMENDED BY P.L.291-2001,
SECTION 240, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
JULY 1, 2002]: Sec. 3.1. (a) As used in this chapter, "previous year
revenue" for calculations with respect to a school corporation equals:

- (1) the school corporation's tuition support for regular programs,
including basic tuition support, and excluding:
 - (A) special education grants;
 - (B) vocational education grants;
 - (C) at-risk programs;
 - (D) the enrollment adjustment grant;
 - (E) for 1999 and thereafter, the academic honors diploma award;

and
(F) for 2001 and thereafter, the primetime distribution;

for the year that precedes the current year; plus

(2) the school corporation's tuition support levy for the year that
precedes the current year before the reductions required under
section 5(1), 5(2), and 5(3) of this chapter; plus

(3) distributions received by the school corporation under
IC 6-1.1-21.6 for the year that precedes the current year; plus

(4) the school corporation's excise tax revenue for the year that
precedes the current year by two (2) years; minus

(5) an amount equal to the reduction in the school corporation's
tuition support under subsection (b) or IC 20-10.1-2-1, or both; **plus**

**(6) in calendar year 2003, the amount determined for calendar
year 2002 under section 8 of this chapter, STEP TWO (C).**

(b) A school corporation's previous year revenue shall be reduced if:

- (1) the school corporation's state tuition support for special or
vocational education was reduced as a result of a complaint being
filed with the department of education after December 31, 1988,
because the school program overstated the number of children
enrolled in special or vocational education programs; and

(2) the school corporation's previous year revenue has not been reduced under this subsection more than one (1) time because of a given overstatement.

The amount of the reduction equals the amount the school corporation would have received in tuition support for special and vocational education because of the overstatement.

SECTION 118. IC 21-3-1.7-8, AS AMENDED BY P.L.291-2001, SECTION 95, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 8. Notwithstanding IC 21-3-1.6 and subject to section 9 of this chapter, the state distribution for a calendar year for tuition support for basic programs for each school corporation equals the result determined using the following formula:

STEP ONE:

(A) For a school corporation not described in clause (B), determine the school corporation's result under STEP FIVE of section 6.7(b) of this chapter for the calendar year.

(B) For a school corporation that has target revenue per adjusted ADM for a calendar year that is equal to the amount under STEP ONE (A) of section 6.7(b) of this chapter, determine the sum of:

(i) the school corporation's result under STEP ONE of section 6.7(b) of this chapter for the calendar year; plus

(ii) the amount of the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years; plus

(iii) the original amount of an excessive tax levy the school corporation imposed as a result of the passage, during the preceding year, of a referendum under IC 6-1.1-19-4.5(c) for taxes first due and payable during the year; plus

(iv) the part of the maximum general fund levy for the year that equals the original amount of the levy imposed by the school corporation to cover the costs of opening a new school facility during the preceding year.

STEP TWO: Determine the remainder of:

(A) the STEP ONE amount; minus

(B) the sum of:

(i) the school corporation's tuition support levy; plus

(ii) the school corporation's excise tax revenue for the year that precedes the current year by one (1) year; **minus**

(C) for the last six (6) months of calendar year 2002 and the first six (6) months of calendar year 2003, the product of:

(i) the school corporation's assessed valuation for calendar

year 2002 divided by one hundred (100); and
(ii) the lesser of three hundred twenty-eight ten-thousandths
(0.0328) or the school corporation's capital projects fund
tax rate for calendar year 2002 multiplied by five-tenths
(0.5).

If the state tuition support determined for a school corporation under this section is negative, the school corporation is not entitled to any state tuition support. In addition, the school corporation's maximum general fund levy under IC 6-1.1-19-1.5 shall be reduced by the amount of the negative result.

SECTION 119. IC 21-3-1.7-9, AS AMENDED BY P.L.291-2001, SECTION 96, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 9. (a) Subject to the amount appropriated by the general assembly for tuition support, the amount that a school corporation is entitled to receive in tuition support for a year is the amount determined in section 8 of this chapter.

(b) If the total amount to be distributed as tuition support under this chapter, for enrollment adjustment grants under section 9.5 of this chapter, for at-risk programs under section 9.7 of this chapter, for academic honors diploma awards under section 9.8 of this chapter, **and** for primetime distributions under IC 21-1-30 and as special and vocational education grants ~~under IC 21-3-1.8-3 or IC 21-3-10~~ for a particular year, exceeds:

(1) three billion three hundred sixty-three million four hundred thousand dollars (\$3,363,400,000) in 2001;

(2) ~~three billion four hundred seventy-one million one hundred thousand dollars (\$3,471,100,000)~~ **three billion four hundred thirteen million four hundred thousand dollars (\$3,413,400,000)** in 2002; and

(3) ~~three billion five hundred ninety-four million two hundred thousand dollars (\$3,594,200,000)~~ **three billion five hundred thirty-six million five hundred thousand dollars (\$3,536,500,000)** in 2003;

the amount to be distributed for tuition support under this chapter to each school corporation during each of the last six (6) months of the year shall be reduced by the same dollar amount per ADM (as adjusted by IC 21-3-1.6-1.1) so that the total reductions equal the amount of the excess.

SECTION 120. IC 21-4-20-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 1. Whenever it is found by the board of school trustees or other proper authorities of any school city or school town that an emergency exists for the borrowing of

money with which to meet the current expenses of the schools of such school town or school city, the board of school trustees or other proper authorities of such school city or school town may make temporary loans in anticipation of the current revenues of such school town or school city to an amount not exceeding fifty per cent (50%) of the amount of:

(1) taxes actually levied and in the course of collection; **and**

(2) **state tuition support received;**

for the fiscal year in which such loans are made. Revenues shall be deemed to be current and taxes shall be deemed to have been actually levied and in the course of collection when the budget levy and rate shall have been finally approved by the ~~state board of tax commissioners~~. **Provided, department of local government finance.** However, ~~That~~ in all second and third class school cities, no such loans shall be borrowed in excess of the sum of twenty thousand dollars (\$20,000) until the letting of the same shall have been advertised once each week for two (2) successive weeks in two (2) newspapers of general circulation published in such school city, and until sealed bids have been submitted at a regular meeting of the school board of such school city, pursuant to such notices, stipulating the rate of interest to be charged by such bidder. ~~and Provided, further, That~~ Such school loans shall be made with the bidder submitting the lowest rate of interest and submitting with ~~his~~ **the bidder's** bid an affidavit showing that no collusion exists between ~~himself the bidder~~ and any other bidder for such loan.

SECTION 121. IC 27-6-8-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) Member insurers, which during any preceding calendar year shall have paid one (1) or more assessments levied pursuant to section 7 of this chapter, shall be allowed a credit against premium taxes, corporate gross income taxes, adjusted gross income taxes, ~~supplemental corporate net income tax~~, or any combination thereof, ~~or similar taxes~~ upon revenue or income of member insurers which may be imposed by the state, up to twenty percent (20%) of the assessment described in section 7 of this chapter for each calendar year following the year the assessment was paid until the aggregate of all assessments paid to the guaranty association shall have been offset by either credits against such taxes or refunds from the association. The provisions herein are applicable to all assessments levied after the passage of this article.

(b) To the extent a member insurer elects not to utilize the tax credits authorized by subsection (a), the member insurer may utilize the provisions of ~~this~~ subsection (c) as a secondary method of recoupment.

(c) The rates and premiums charged for insurance policies to which this chapter applies shall include amounts sufficient to recoup a sum

1 equal to the amounts paid to the association by the member insurer less
 2 any amounts returned to the member insurer by the association and the
 3 rates shall not be deemed excessive because they contain an amount
 4 reasonably calculated to recoup assessments paid by the member
 5 insurer.

6 SECTION 122. IC 27-8-8-16 IS AMENDED TO READ AS
 7 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 16. Member
 8 insurers who, during any preceding calendar year, have paid one (1) or
 9 more assessments levied under this chapter may either:

10 (1) take as a credit against premium taxes, gross income taxes,
 11 adjusted gross income taxes, ~~supplemental corporate net income tax,~~
 12 or any combination of them, ~~or similar taxes~~ upon revenue or
 13 income of member insurers that may be imposed by Indiana up to
 14 twenty percent (20%) of an assessment described in section 6 of this
 15 chapter for each calendar year following the year in which those
 16 assessments were paid until the aggregate of those assessments have
 17 been offset by either credits against those taxes or refunds from the
 18 association; or

19 (2) include in the rates and premiums charged for insurance policies
 20 to which this chapter applies amounts sufficient to recoup a sum
 21 equal to the amounts paid to the association by the member less any
 22 amounts returned to the member insurer by the association and the
 23 rates are not excessive by virtue of including an amount reasonably
 24 calculated to recoup assessments paid by the member.

25 SECTION 123. IC 27-8-10-2.1 IS AMENDED TO READ AS
 26 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.1. (a) There is
 27 established a nonprofit legal entity to be referred to as the Indiana
 28 comprehensive health insurance association, which must assure that
 29 health insurance is made available throughout the year to each eligible
 30 Indiana resident applying to the association for coverage. All carriers,
 31 health maintenance organizations, limited service health maintenance
 32 organizations, and self-insurers providing health insurance or health care
 33 services in Indiana must be members of the association. The association
 34 shall operate under a plan of operation established and approved under
 35 subsection (c) and shall exercise its powers through a board of directors
 36 established under this section.

37 (b) The board of directors of the association consists of seven (7)
 38 members whose principal residence is in Indiana selected as follows:

39 (1) Three (3) members to be appointed by the commissioner from
 40 the members of the association, one (1) of which must be a
 41 representative of a health maintenance organization.

42 (2) Two (2) members to be appointed by the commissioner shall be

1 consumers representing policyholders.

2 (3) Two (2) members shall be the state budget director or designee
3 and the commissioner of the department of insurance or designee.

4 The commissioner shall appoint the chairman of the board, and the
5 board shall elect a secretary from its membership. The term of office of
6 each appointed member is three (3) years, subject to eligibility for
7 reappointment. Members of the board who are not state employees may
8 be reimbursed from the association's funds for expenses incurred in
9 attending meetings. The board shall meet at least semiannually, with the
10 first meeting to be held not later than May 15 of each year.

11 (c) The association shall submit to the commissioner a plan of
12 operation for the association and any amendments to the plan necessary
13 or suitable to assure the fair, reasonable, and equitable administration of
14 the association. The plan of operation becomes effective upon approval
15 in writing by the commissioner consistent with the date on which the
16 coverage under this chapter must be made available. The commissioner
17 shall, after notice and hearing, approve the plan of operation if the plan
18 is determined to be suitable to assure the fair, reasonable, and equitable
19 administration of the association and provides for the sharing of
20 association losses on an equitable, proportionate basis among the
21 member carriers, health maintenance organizations, limited service
22 health maintenance organizations, and self-insurers. If the association
23 fails to submit a suitable plan of operation within one hundred eighty
24 (180) days after the appointment of the board of directors, or at any time
25 thereafter the association fails to submit suitable amendments to the
26 plan, the commissioner shall adopt rules under IC 4-22-2 necessary or
27 advisable to implement this section. These rules are effective until
28 modified by the commissioner or superseded by a plan submitted by the
29 association and approved by the commissioner. The plan of operation
30 must:

- 31 (1) establish procedures for the handling and accounting of assets
32 and money of the association;
- 33 (2) establish the amount and method of reimbursing members of the
34 board;
- 35 (3) establish regular times and places for meetings of the board of
36 directors;
- 37 (4) establish procedures for records to be kept of all financial
38 transactions, and for the annual fiscal reporting to the
39 commissioner;
- 40 (5) establish procedures whereby selections for the board of
41 directors will be made and submitted to the commissioner for
42 approval;

(6) contain additional provisions necessary or proper for the execution of the powers and duties of the association; and

(7) establish procedures for the periodic advertising of the general availability of the health insurance coverages from the association.

(d) The plan of operation may provide that any of the powers and duties of the association be delegated to a person who will perform functions similar to those of this association. A delegation under this section takes effect only with the approval of both the board of directors and the commissioner. The commissioner may not approve a delegation unless the protections afforded to the insured are substantially equivalent to or greater than those provided under this chapter.

(e) The association has the general powers and authority enumerated by this subsection in accordance with the plan of operation approved by the commissioner under subsection (c). The association has the general powers and authority granted under the laws of Indiana to carriers licensed to transact the kinds of health care services or health insurance described in section 1 of this chapter and also has the specific authority to do the following:

(1) Enter into contracts as are necessary or proper to carry out this chapter, subject to the approval of the commissioner.

(2) Sue or be sued, including taking any legal actions necessary or proper for recovery of any assessments for, on behalf of, or against participating carriers.

(3) Take legal action necessary to avoid the payment of improper claims against the association or the coverage provided by or through the association.

(4) Establish a medical review committee to determine the reasonably appropriate level and extent of health care services in each instance.

(5) Establish appropriate rates, scales of rates, rate classifications and rating adjustments, such rates not to be unreasonable in relation to the coverage provided and the reasonable operational expenses of the association.

(6) Pool risks among members.

(7) Issue policies of insurance on an indemnity or provision of service basis providing the coverage required by this chapter.

(8) Administer separate pools, separate accounts, or other plans or arrangements considered appropriate for separate members or groups of members.

(9) Operate and administer any combination of plans, pools, or other mechanisms considered appropriate to best accomplish the fair and equitable operation of the association.

(10) Appoint from among members appropriate legal, actuarial, and other committees as necessary to provide technical assistance in the operation of the association, policy and other contract design, and any other function within the authority of the association.

(11) Hire an independent consultant.

(12) Develop a method of advising applicants of the availability of other coverages outside the association and may promulgate a list of health conditions the existence of which would deem an applicant eligible without demonstrating a rejection of coverage by one (1) carrier.

(13) Provide for the use of managed care plans for insureds, including the use of:

(A) health maintenance organizations; and

(B) preferred provider plans.

(14) Solicit bids directly from providers for coverage under this chapter.

(f) Rates for coverages issued by the association may not be unreasonable in relation to the benefits provided, the risk experience, and the reasonable expenses of providing the coverage. Separate scales of premium rates based on age apply for individual risks. Premium rates must take into consideration the extra morbidity and administration expenses, if any, for risks insured in the association. The rates for a given classification may not be more than one hundred fifty percent (150%) of the average premium rate for that class charged by the five (5) carriers with the largest premium volume in the state during the preceding calendar year. In determining the average rate of the five (5) largest carriers, the rates charged by the carriers shall be actuarially adjusted to determine the rate that would have been charged for benefits identical to those issued by the association. All rates adopted by the association must be submitted to the commissioner for approval.

(g) Following the close of the association's fiscal year, the association shall determine the net premiums, the expenses of administration, and the incurred losses for the year. Any net loss shall be assessed by the association to all members in proportion to their respective shares of total health insurance premiums, excluding premiums for Medicaid contracts with the state of Indiana, received in Indiana during the calendar year (or with paid losses in the year) coinciding with or ending during the fiscal year of the association or any other equitable basis as may be provided in the plan of operation. For self-insurers, health maintenance organizations, and limited service health maintenance organizations that are members of the association, the proportionate share of losses must be determined through the application of an

equitable formula based upon claims paid, excluding claims for Medicaid contracts with the state of Indiana, or the value of services provided. In sharing losses, the association may abate or defer in any part the assessment of a member, if, in the opinion of the board, payment of the assessment would endanger the ability of the member to fulfill its contractual obligations. The association may also provide for interim assessments against members of the association if necessary to assure the financial capability of the association to meet the incurred or estimated claims expenses or operating expenses of the association until the association's next fiscal year is completed. Net gains, if any, must be held at interest to offset future losses or allocated to reduce future premiums. Assessments must be determined by the board members specified in subsection (b)(1), subject to final approval by the commissioner.

(h) The association shall conduct periodic audits to assure the general accuracy of the financial data submitted to the association, and the association shall have an annual audit of its operations by an independent certified public accountant.

(i) The association is subject to examination by the department of insurance under IC 27-1-3.1. The board of directors shall submit, not later than March 30 of each year, a financial report for the preceding calendar year in a form approved by the commissioner.

(j) All policy forms issued by the association must conform in substance to prototype forms developed by the association, must in all other respects conform to the requirements of this chapter, and must be filed with and approved by the commissioner before their use.

(k) The association may not issue an association policy to any individual who, on the effective date of the coverage applied for, does not meet the eligibility requirements of section 5.1 of this chapter.

(l) The association shall pay an agent's referral fee of twenty-five dollars (\$25) to each insurance agent who refers an applicant to the association if that applicant is accepted.

(m) The association and the premium collected by the association shall be exempt from the premium tax, the gross income tax, the adjusted gross income tax, ~~supplemental corporate net income~~, or any combination of these, ~~or similar taxes~~ upon revenues or income that may be imposed by the state.

(n) Members who after July 1, 1983, during any calendar year, have paid one (1) or more assessments levied under this chapter may either:

(1) take a credit against premium taxes, gross income taxes, adjusted gross income taxes, ~~supplemental corporate net income taxes~~, or any combination of these, or similar taxes upon revenues

1 or income of member insurers that may be imposed by the state, up
 2 to the amount of the taxes due for each calendar year in which the
 3 assessments were paid and for succeeding years until the aggregate
 4 of those assessments have been offset by either credits against those
 5 taxes or refunds from the association; or

6 (2) any member insurer may include in the rates for premiums
 7 charged for insurance policies to which this chapter applies amounts
 8 sufficient to recoup a sum equal to the amounts paid to the
 9 association by the member less any amounts returned to the member
 10 insurer by the association, and the rates shall not be deemed
 11 excessive by virtue of including an amount reasonably calculated to
 12 recoup assessments paid by the member.

13 (o) The association shall provide for the option of monthly collection
 14 of premiums.

15 SECTION 124. IC 27-13-18-2 IS AMENDED TO READ AS
 16 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2. (a) If for any
 17 reason the plan of the health maintenance organization under
 18 IC 27-13-16 does not provide for continuation of benefits as required by
 19 IC 27-13-16-1, the liquidator shall assess, or cause to be assessed, each
 20 licensed health maintenance organization doing business in Indiana. The
 21 amount that each licensed health maintenance organization is assessed
 22 must be based on the ratio of the amount of all subscriber premiums
 23 received by the health maintenance organization for contracts issued in
 24 Indiana for the previous calendar year to the amount of the total
 25 subscriber premiums received by all licensed health maintenance
 26 organizations for contracts issued in Indiana for the previous calendar
 27 year.

28 (b) The total assessments of health maintenance organizations under
 29 subsection (a) must equal an amount sufficient to provide for
 30 continuation of benefits as required by IC 27-13-16-1 to enrollees
 31 covered under contracts issued by the health maintenance organization
 32 to subscribers located in Indiana, and to pay administrative expenses.

33 (c) The total amount of all assessments to be paid by a health
 34 maintenance organization in any one (1) calendar year may not exceed
 35 one percent (1%) of the premiums received by the health maintenance
 36 organization from business in Indiana during the calendar year
 37 preceding the assessment.

38 (d) If the total amount of all assessments in any one (1) calendar year
 39 does not provide an amount sufficient to meet the requirements of
 40 subsection (a), additional funds must be assessed in succeeding calendar
 41 years.

42 (e) Health maintenance organizations that, during any preceding

calendar year, have paid one (1) or more assessments levied under this section may either:

(1) take as a credit against gross income taxes, adjusted gross income taxes, ~~supplemental corporate net income taxes~~, or any combination of these, or similar taxes upon revenue or income of health maintenance organizations that may be imposed by Indiana up to twenty percent (20%) of any assessment described in this section for each calendar year following the year in which those assessments were paid until the aggregate of those assessments have been offset; or

(2) include in the premiums charged for coverage to which this article applies amounts sufficient to recoup a sum equal to the amounts paid in assessments as long as the premiums are not excessive by virtue of including an amount reasonably calculated to recoup assessments paid by the health maintenance organization.

SECTION 125. IC 36-7-13-3.8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.8. As used in this chapter, "state and local income taxes" means taxes imposed under any of the following:

(1) IC 6-2.1 (the gross income tax).

(2) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax).

~~(3) IC 6-3-8 (the supplemental net income tax).~~

~~(4)~~ (3) IC 6-3.5-1.1 (county adjusted gross income tax).

~~(5)~~ (4) IC 6-3.5-6 (county option income tax).

~~(6)~~ (5) IC 6-3.5-7 (county economic development income tax).

SECTION 126. IC 36-7-13-15, AS AMENDED BY P.L.174-2001, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 15. (a) If an advisory commission on industrial development designates a district under this chapter or the legislative body of a county or municipality adopts an ordinance designating a district under section 10.5 of this chapter, the treasurer of state shall establish an incremental tax financing fund for the county. The fund shall be administered by the treasurer of state. Money in the fund does not revert to the state general fund at the end of a state fiscal year.

(b) Subject to subsection (c), the following amounts shall be deposited during each state fiscal year in the incremental tax financing fund established for the county under subsection (a):

(1) The aggregate amount of state gross retail and use taxes that are remitted under IC 6-2.5 by businesses operating in the district, until the amount of state gross retail and use taxes deposited equals the gross retail incremental amount for the district.

(2) The aggregate amount of state and local income taxes paid by employees employed in the district with respect to wages earned for work in the district, until the amount of state and local income taxes deposited equals the income tax incremental amount.

(c) The aggregate amount of revenues that is:

(1) attributable to:

(A) the state gross retail and use taxes established under IC 6-2.5;

(B) the gross income tax established under IC 6-2.1; **and**

(C) the adjusted gross income tax established under IC 6-3-1 through IC 6-3-7; and

~~(D) the supplemental net income tax established under IC 6-3-8;~~

and

(2) deposited during any state fiscal year in each incremental tax financing fund established for a county;

may not exceed one million dollars (\$1,000,000) per county.

(d) On or before the twentieth day of each month, all amounts held in the incremental tax financing fund established for a county shall be distributed to the district's advisory commission on industrial development for deposit in the industrial development fund of the unit that requested designation of the district.

SECTION 127. IC 36-7-14-39.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 39.5. (a) As used in this section, "allocation area" has the meaning set forth in section 39 of this chapter.

(b) As used in this section, "taxing district" has the meaning set forth in IC 6-1.1-1-20.

(c) Subject to subsection (e), each taxpayer in an allocation area is entitled to an additional credit for property taxes that under IC 6-1.1-22-9 are due and payable in May and November of that year. One-half (1/2) of the credit shall be applied to each installment of property taxes. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) **and the general school operating levies (as defined in IC 6-1.1-21-2)** that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of **the sum of:**

(i) twenty thirty-nine percent (20%) (39%) of each county's total county tax levy payable that year; **and**

1 (ii) **one hundred percent (100%) of the general school**
 2 **operating levies (as defined in IC 6-1.1-21-2) for that year;**
 3 as determined under IC 6-1.1-21-4 that is attributable to the
 4 taxing district; by

5 (B) the STEP ONE sum.

6 STEP THREE: Multiply:

7 (A) the STEP TWO quotient; times

8 (B) the total amount of the taxpayer's property taxes levied in the
 9 taxing district that would have been allocated to an allocation
 10 fund under section 39 of this chapter had the additional credit
 11 described in this section not been given.

12 The additional credit reduces the amount of proceeds allocated to the
 13 redevelopment district and paid into an allocation fund under section
 14 39(b)(2) of this chapter.

15 (d) If the additional credit under subsection (c) is not reduced under
 16 subsection (e) or (f), the credit for property tax replacement under
 17 IC 6-1.1-21-5 and the additional credit under subsection (c) shall be
 18 computed on an aggregate basis for all taxpayers in a taxing district that
 19 contains all or part of an allocation area. The credit for property tax
 20 replacement under IC 6-1.1-21-5 and the additional credit under
 21 subsection (c) shall be combined on the tax statements sent to each
 22 taxpayer.

23 (e) Upon the recommendation of the redevelopment commission, the
 24 municipal legislative body (in the case of a redevelopment commission
 25 established by a municipality) or the county executive (in the case of a
 26 redevelopment commission established by a county) may, by resolution,
 27 provide that the additional credit described in subsection (c):

28 (1) does not apply in a specified allocation area; or

29 (2) is to be reduced by a uniform percentage for all taxpayers in a
 30 specified allocation area.

31 (f) Whenever the municipal legislative body or county executive
 32 determines that granting the full additional credit under subsection (c)
 33 would adversely affect the interests of the holders of bonds or other
 34 contractual obligations that are payable from allocated tax proceeds in
 35 that allocation area in a way that would create a reasonable expectation
 36 that those bonds or other contractual obligations would not be paid when
 37 due, the municipal legislative body or county executive must adopt a
 38 resolution under subsection (e) to deny the additional credit or reduce
 39 it to a level that creates a reasonable expectation that the bonds or other
 40 obligations will be paid when due. A resolution adopted under
 41 subsection (e) denies or reduces the additional credit for property taxes
 42 first due and payable in the allocation area in any year following the year

1 in which the resolution is adopted.

2 (g) A resolution adopted under subsection (e) remains in effect until
3 it is rescinded by the body that originally adopted it. However, a
4 resolution may not be rescinded if the rescission would adversely affect
5 the interests of the holders of bonds or other obligations that are payable
6 from allocated tax proceeds in that allocation area in a way that would
7 create a reasonable expectation that the principal of or interest on the
8 bonds or other obligations would not be paid when due. If a resolution
9 is rescinded and no other resolution is adopted, the additional credit
10 described in subsection (c) applies to property taxes first due and
11 payable in the allocation area in each year following the year in which
12 the resolution is rescinded.

13 SECTION 128. IC 36-7-14.5-12.5 IS AMENDED TO READ AS
14 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 12.5. (a) This
15 section applies only to an authority in a county having a United States
16 government military base that is scheduled for closing or is completely
17 or partially inactive or closed.

18 (b) In order to accomplish the purposes set forth in section 11(b) of
19 this chapter, an authority may create an economic development area:

20 (1) by following the procedures set forth in IC 36-7-14-41 for the
21 establishment of an economic development area by a redevelopment
22 commission; and

23 (2) with the same effect as if the economic development area was
24 created by a redevelopment commission.

25 However, an authority may not include in an economic development
26 area created under this section any area that was declared a blighted
27 area, an urban renewal area, or an economic development area under
28 IC 36-7-14.

29 (c) In order to accomplish the purposes set forth in section 11(b) of
30 this chapter, an authority may do the following in a manner that serves
31 an economic development area created under this section:

32 (1) Acquire by purchase, exchange, gift, grant, condemnation, or
33 lease, or any combination of methods, any personal property or
34 interest in real property needed for the redevelopment of economic
35 development areas located within the corporate boundaries of the
36 unit.

37 (2) Hold, use, sell (by conveyance by deed, land sale contract, or
38 other instrument), exchange, lease, rent, or otherwise dispose of
39 property acquired for use in the redevelopment of economic
40 development areas on the terms and conditions that the authority
41 considers best for the unit and the unit's inhabitants.

42 (3) Sell, lease, or grant interests in all or part of the real property

1 acquired for redevelopment purposes to any other department of the
2 unit or to any other governmental agency for public ways, levees,
3 sewerage, parks, playgrounds, schools, and other public purposes on
4 any terms that may be agreed on.

5 (4) Clear real property acquired for redevelopment purposes.

6 (5) Repair and maintain structures acquired for redevelopment
7 purposes.

8 (6) Remodel, rebuild, enlarge, or make major structural
9 improvements on structures acquired for redevelopment purposes.

10 (7) Survey or examine any land to determine whether the land
11 should be included within an economic development area to be
12 acquired for redevelopment purposes and to determine the value of
13 that land.

14 (8) Appear before any other department or agency of the unit, or
15 before any other governmental agency in respect to any matter
16 affecting:

17 (A) real property acquired or being acquired for redevelopment
18 purposes; or

19 (B) any economic development area within the jurisdiction of the
20 authority.

21 (9) Institute or defend in the name of the unit any civil action, but
22 all actions against the authority must be brought in the circuit or
23 superior court of the county where the authority is located.

24 (10) Use any legal or equitable remedy that is necessary or
25 considered proper to protect and enforce the rights of and perform
26 the duties of the authority.

27 (11) Exercise the power of eminent domain in the name of and
28 within the corporate boundaries of the unit subject to the same
29 conditions and procedures that apply to the exercise of the power of
30 eminent domain by a redevelopment commission under IC 36-7-14.

31 (12) Appoint an executive director, appraisers, real estate experts,
32 engineers, architects, surveyors, and attorneys.

33 (13) Appoint clerks, guards, laborers, and other employees the
34 authority considers advisable, except that those appointments must
35 be made in accordance with the merit system of the unit if such a
36 system exists.

37 (14) Prescribe the duties and regulate the compensation of
38 employees of the authority.

39 (15) Provide a pension and retirement system for employees of the
40 authority by using the public employees' retirement fund or a
41 retirement plan approved by the United States Department of
42 Housing and Urban Development.

- 1 (16) Discharge and appoint successors to employees of the authority
2 subject to subdivision (13).
- 3 (17) Rent offices for use of the department or authority, or accept
4 the use of offices furnished by the unit.
- 5 (18) Equip the offices of the authority with the necessary furniture,
6 furnishings, equipment, records, and supplies.
- 7 (19) Design, order, contract for, and construct, reconstruct, improve,
8 or renovate the following:
- 9 (A) Any local public improvement or structure that is necessary
10 for redevelopment purposes or economic development within the
11 corporate boundaries of the unit.
- 12 (B) Any structure that enhances development or economic
13 development.
- 14 (20) Contract for the construction, extension, or improvement of
15 pedestrian skyways (as defined in IC 36-7-14-12.2(c)).
- 16 (21) Accept loans, grants, and other forms of financial assistance
17 from, or contract with, the federal government, the state
18 government, a municipal corporation, a special taxing district, a
19 foundation, or any other source.
- 20 (22) Make and enter into all contracts and agreements necessary or
21 incidental to the performance of the duties of the authority and the
22 execution of the powers of the authority under this chapter.
- 23 (23) Take any action necessary to implement the purpose of the
24 authority.
- 25 (24) Provide financial assistance, in the manner that best serves the
26 purposes set forth in section 11(b) of this chapter, including grants
27 and loans, to enable private enterprise to develop, redevelop, and
28 reuse military base property or otherwise enable private enterprise
29 to provide social and economic benefits to the citizens of the unit.
- 30 (d) An authority may designate all or a portion of an economic
31 development area created under this section as an allocation area by
32 following the procedures set forth in IC 36-7-14-39 for the establishment
33 of an allocation area by a redevelopment commission. The allocation
34 provision may modify the definition of "property taxes" under
35 IC 36-7-14-39(a) to include taxes imposed under IC 6-1.1 on the
36 depreciable personal property located and taxable on the site of
37 operations of designated taxpayers in accordance with the procedures
38 applicable to a commission under IC 36-7-14-39.3. IC 36-7-14-39.3
39 applies to such a modification. An allocation area established by an
40 authority under this section is a special taxing district authorized by the
41 general assembly to enable the unit to provide special benefits to
42 taxpayers in the allocation area by promoting economic development

that is of public use and benefit. For allocation areas established for an economic development area created under this section after June 30, 1997, and to the expanded portion of an allocation area for an economic development area that was established before June 30, 1997, and that is expanded under this section after June 30, 1997, the net assessed value of property that is assessed as residential property under the rules of the ~~state board of tax commissioners~~, **local government finance**, as finally determined for any assessment date, must be allocated. All of the provisions of IC 36-7-14-39, IC 36-7-14-39.1, and IC 36-7-14-39.5 apply to an allocation area created under this section, except that the authority shall be vested with the rights and duties of a commission as referenced in those sections, and except that, notwithstanding IC 36-7-14-39(b)(2), property tax proceeds paid into the allocation fund may be used by the authority only to do one (1) or more of the following:

(1) Pay the principal of and interest and redemption premium on any obligations incurred by the special taxing district or any other entity for the purpose of financing or refinancing military base reuse activities in or serving or benefitting that allocation area.

(2) Establish, augment, or restore the debt service reserve for obligations payable solely or in part from allocated tax proceeds in that allocation area or from other revenues of the authority (including lease rental revenues).

(3) Make payments on leases payable solely or in part from allocated tax proceeds in that allocation area.

(4) Reimburse any other governmental body for expenditures made by it for local public improvements or structures in or serving or benefitting that allocation area.

(5) Pay all or a portion of a property tax replacement credit to taxpayers in an allocation area as determined by the authority. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) **and the general school operating levies (as defined in IC 6-1.1-21-2)** that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the **sum of:**

(i) ~~twenty thirty-nine percent (20%)~~ **(39%)** of each county's total county tax levy payable that year; **and**

1 (ii) **one hundred percent (100%) of the general school**
 2 **operating levies (as defined in IC 6-1.1-21-2) for that year;**
 3 as determined under IC 6-1.1-21-4 that is attributable to the
 4 taxing district; by

5 (B) the STEP ONE sum.

6 STEP THREE: Multiply:

7 (A) the STEP TWO quotient; by

8 (B) the total amount of the taxpayer's property taxes levied in
 9 the taxing district that have been allocated during that year to
 10 an allocation fund under this section.

11 If not all the taxpayers in an allocation area receive the credit in full,
 12 each taxpayer in the allocation area is entitled to receive the same
 13 proportion of the credit. A taxpayer may not receive a credit under
 14 this section and a credit under IC 36-7-14-39.5 in the same year.

15 (6) Pay expenses incurred by the authority for local public
 16 improvements or structures that are in the allocation area or serving
 17 or benefiting the allocation area.

18 (7) Reimburse public and private entities for expenses incurred in
 19 training employees of industrial facilities that are located:

20 (A) in the allocation area; and

21 (B) on a parcel of real property that has been classified as
 22 industrial property under the rules of the ~~state board~~ **department**
 23 of ~~tax commissioners~~ **local government finance**.

24 However, the total amount of money spent for this purpose in any
 25 year may not exceed the total amount of money in the allocation
 26 fund that is attributable to property taxes paid by the industrial
 27 facilities described in clause (B). The reimbursements under this
 28 subdivision must be made within three (3) years after the date on
 29 which the investments that are the basis for the increment financing
 30 are made. The allocation fund may not be used for operating
 31 expenses of the authority.

32 (e) In addition to other methods of raising money for property
 33 acquisition, redevelopment, or economic development activities in or
 34 directly serving or benefitting an economic development area created by
 35 an authority under this section, and in anticipation of the taxes allocated
 36 under subsection (d), other revenues of the authority, or any combination
 37 of these sources, the authority may, by resolution, issue the bonds of the
 38 special taxing district in the name of the unit. Bonds issued under this
 39 section may be issued in any amount without limitation. The following
 40 apply if such a resolution is adopted:

41 (1) The authority shall certify a copy of the resolution authorizing
 42 the bonds to the municipal or county fiscal officer, who shall then

1 prepare the bonds. The seal of the unit must be impressed on the
 2 bonds, or a facsimile of the seal must be printed on the bonds.

3 (2) The bonds must be executed by the appropriate officer of the
 4 unit and attested by the unit's fiscal officer.

5 (3) The bonds are exempt from taxation for all purposes.

6 (4) Bonds issued under this section may be sold at public sale in
 7 accordance with IC 5-1-11 or at a negotiated sale.

8 (5) The bonds are not a corporate obligation of the unit but are an
 9 indebtedness of the taxing district. The bonds and interest are
 10 payable, as set forth in the bond resolution of the authority:

11 (A) from the tax proceeds allocated under subsection (d);

12 (B) from other revenues available to the authority; or

13 (C) from a combination of the methods stated in clauses (A) and
 14 (B).

15 (6) Proceeds from the sale of bonds may be used to pay the cost of
 16 interest on the bonds for a period not to exceed five (5) years from
 17 the date of issuance.

18 (7) Laws relating to the filing of petitions requesting the issuance of
 19 bonds and the right of taxpayers to remonstrate against the issuance
 20 of bonds do not apply to bonds issued under this section.

21 (8) If a debt service reserve is created from the proceeds of bonds,
 22 the debt service reserve may be used to pay principal and interest on
 23 the bonds as provided in the bond resolution.

24 (9) If bonds are issued under this chapter that are payable solely or
 25 in part from revenues to the authority from a project or projects, the
 26 authority may adopt a resolution or trust indenture or enter into
 27 covenants as is customary in the issuance of revenue bonds. The
 28 resolution or trust indenture may pledge or assign the revenues from
 29 the project or projects. The resolution or trust indenture may also
 30 contain any provisions for protecting and enforcing the rights and
 31 remedies of the bond owners as may be reasonable and proper and
 32 not in violation of law, including covenants setting forth the duties
 33 of the authority. The authority may establish fees and charges for
 34 the use of any project and covenant with the owners of any bonds to
 35 set those fees and charges at a rate sufficient to protect the interest
 36 of the owners of the bonds. Any revenue bonds issued by the
 37 authority that are payable solely from revenues of the authority shall
 38 contain a statement to that effect in the form of bond.

39 (f) Notwithstanding section 8(a) of this chapter, an ordinance adopted
 40 under section 11(b) of this chapter may provide, or be amended to
 41 provide, that the board of directors of the authority shall be composed
 42 of not fewer than three (3) nor more than seven (7) members, who must

1 be residents of the unit appointed by the executive of the unit.

2 (g) The acquisition of real and personal property by an authority under
3 this section is not subject to the provisions of IC 5-22, IC 36-1-10.5,
4 IC 36-7-14-19, or any other statutes governing the purchase of property
5 by public bodies or their agencies.

6 (h) An authority may negotiate for the sale, lease, or other disposition
7 of real and personal property without complying with the provisions of
8 IC 5-22-22, IC 36-1-11, IC 36-7-14-22, or any other statute governing
9 the disposition of public property.

10 (i) Notwithstanding any other law, utility services provided within an
11 economic development area established under this section are subject to
12 regulation by the appropriate regulatory agencies unless the utility
13 service is provided by a utility that provides utility service solely within
14 the geographic boundaries of an existing or a closed military installation,
15 in which case the utility service is not subject to regulation for purposes
16 of rate making, regulation, service delivery, or issuance of bonds or
17 other forms of indebtedness. However, this exemption from regulation
18 does not apply to utility service if the service is generated, treated, or
19 produced outside the boundaries of the existing or closed military
20 installation.

21 SECTION 129. IC 36-7-15.1-26.5 IS AMENDED TO READ AS
22 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 26.5. (a) As used
23 in this section, "adverse determination" means a determination by the
24 fiscal officer of the consolidated city that the granting of credits
25 described in subsection (g) or (h) would impair any contract with or
26 otherwise adversely affect the owners of outstanding bonds payable
27 from the allocation area special fund.

28 (b) As used in this section, "allocation area" has the meaning set forth
29 in section 26 of this chapter.

30 (c) As used in this section, "special fund" refers to the special fund
31 into which property taxes are paid under section 26 of this chapter.

32 (d) As used in this section, "taxing district" has the meaning set forth
33 in IC 6-1.1-1-20.

34 (e) Except as provided in subsections (g), (h), and (i), each taxpayer
35 in an allocation area is entitled to an additional credit for property taxes
36 that, under IC 6-1.1-22-9, are due and payable in May and November of
37 that year. One-half (1/2) of the credit shall be applied to each installment
38 of property taxes. This credit equals the amount determined under the
39 following STEPS for each taxpayer in a taxing district that contains all
40 or part of the allocation area:

41 STEP ONE: Determine that part of the sum of the amounts under
42 IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3),

IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) **and the general school operating levies (as defined in IC 6-1.1-21-2)** that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of **the sum of:**

(i) ~~twenty~~ **thirty-nine** percent ~~(20%)~~ **(39%)** of each county's total county tax levy payable that year; **and**

(ii) **one hundred percent (100%) of the general school operating levies (as defined in IC 6-1.1-21-2) for that year;**

as determined under IC 6-1.1-21-4 that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the total amount of the taxpayer's property taxes levied in the taxing district that would have been allocated to an allocation fund under section 26 of this chapter had the additional credit described in this section not been given.

The additional credit reduces the amount of proceeds allocated to the redevelopment district and paid into the special fund.

(f) The credit for property tax replacement under IC 6-1.1-21-5 and the additional credits under subsections (e), (g), (h), and (i), unless the credits under subsections (g) and (h) are partial credits, shall be computed on an aggregate basis for all taxpayers in a taxing district that contains all or part of an allocation area. Except as provided in subsections (h) and (i), the credit for property tax replacement under IC 6-1.1-21-5 and the additional credits under subsections (e), (g), (h), and (i) shall be combined on the tax statements sent to each taxpayer.

(g) This subsection applies to an allocation area if allocated taxes from that area were pledged to bonds, leases, or other obligations of the commission before May 8, 1989. A credit calculated using the method provided in subsection (e) may be granted under this subsection. The credit provided under this subsection is first applicable for the allocation area for property taxes first due and payable in 1992. The following apply to the determination of the credit provided under this subsection:

(1) Before June 15 of each year, the fiscal officer of the consolidated city shall determine and certify the following:

(A) All amounts due in the following year to the owners of outstanding bonds payable from the allocation area special fund.

(B) All amounts that are:

(i) required under contracts with bond holders; and

(ii) payable from the allocation area special fund to fund

- 1 accounts and reserves.
- 2 (C) An estimate of the amount of personal property taxes
- 3 available to be paid into the allocation area special fund under
- 4 section 26.9(c) of this chapter.
- 5 (D) An estimate of the aggregate amount of credits to be granted
- 6 if full credits are granted.
- 7 (2) Before June 15 of each year, the fiscal officer of the
- 8 consolidated city shall determine if the granting of the full amount
- 9 of credits in the following year would impair any contract with or
- 10 otherwise adversely affect the owners of outstanding bonds payable
- 11 from the allocation area special fund.
- 12 (3) If the fiscal officer of the consolidated city determines under
- 13 subdivision (2) that there would not be an impairment or adverse
- 14 effect:
- 15 (A) the fiscal officer of the consolidated city shall certify the
- 16 determination; and
- 17 (B) the full credits shall be applied in the following year, subject
- 18 to the determinations and certifications made under section
- 19 26.7(b) of this chapter.
- 20 (4) If the fiscal officer of the consolidated city makes an adverse
- 21 determination under subdivision (2), the fiscal officer of the
- 22 consolidated city shall determine whether there is an amount of
- 23 partial credits that, if granted in the following year, would not result
- 24 in the impairment or adverse effect. If the fiscal officer determines
- 25 that there is an amount of partial credits that would not result in the
- 26 impairment or adverse effect, the fiscal officer shall do the
- 27 following:
- 28 (A) Determine the amount of the partial credits.
- 29 (B) Certify that determination.
- 30 (5) If the fiscal officer of the consolidated city certifies under
- 31 subdivision (4) that partial credits may be paid, the partial credits
- 32 shall be applied pro rata among all affected taxpayers in the
- 33 following year.
- 34 (6) An affected taxpayer may appeal any of the following to the
- 35 circuit or superior court of the county in which the allocation area
- 36 is located:
- 37 (A) A determination by the fiscal officer of the consolidated city
- 38 that:
- 39 (i) credits may not be paid in the following year; or
- 40 (ii) only partial credits may be paid in the following year.
- 41 (B) A failure by the fiscal officer of the consolidated city to make
- 42 a determination by June 15 of whether full or partial credits are

- 1 payable under this subsection.
- 2 (7) An appeal of a determination must be filed not later than thirty
- 3 (30) days after the publication of the determination.
- 4 (8) An appeal of a failure by the fiscal officer of the consolidated
- 5 city to make a determination of whether the credits are payable
- 6 under this subsection must be filed by July 15 of the year in which
- 7 the determination should have been made.
- 8 (9) All appeals under subdivision (6) shall be decided by the court
- 9 within sixty (60) days.
- 10 (h) This subsection applies to an allocation area if allocated taxes from
- 11 that area were pledged to bonds, leases, or other obligations of the
- 12 commission before May 8, 1989. A credit calculated using the method
- 13 in subsection (e) and in subdivision (2) of this subsection may be
- 14 granted under this subsection. The following apply to the credit granted
- 15 under this subsection:
- 16 (1) The credit is applicable to property taxes first due and payable
- 17 in 1991.
- 18 (2) For purposes of this subsection, the amount of a credit for 1990
- 19 taxes payable in 1991 with respect to an affected taxpayer is equal
- 20 to:
- 21 (A) the amount of the quotient determined under STEP TWO of
- 22 subsection (e); multiplied by
- 23 (B) the total amount of the property taxes payable by the taxpayer
- 24 that were allocated in 1991 to the allocation area special fund
- 25 under section 26 of this chapter.
- 26 (3) Before June 15, 1991, the fiscal officer of the consolidated city
- 27 shall determine and certify an estimate of the aggregate amount of
- 28 credits for 1990 taxes payable in 1991 if the full credits are granted.
- 29 (4) The fiscal officer of the consolidated city shall determine
- 30 whether the granting of the full amounts of the credits for 1990
- 31 taxes payable in 1991 against 1991 taxes payable in 1992 and the
- 32 granting of credits under subsection (g) would impair any contract
- 33 with or otherwise adversely affect the owners of outstanding bonds
- 34 payable from the allocation area special fund for an allocation area
- 35 described in subsection (g).
- 36 (5) If the fiscal officer of the consolidated city determines that there
- 37 would not be an impairment or adverse effect under subdivision (4):
- 38 (A) the fiscal officer shall certify that determination; and
- 39 (B) the full credits shall be applied against 1991 taxes payable in
- 40 1992 or the amount of the credits shall be paid to the taxpayers as
- 41 provided in subdivision (12), subject to the determinations and
- 42 certifications made under section 26.7(b) of this chapter.

(6) If the fiscal officer of the consolidated city makes an adverse determination under subdivision (4), the fiscal officer shall determine whether there is an amount of partial credits for 1990 taxes payable in 1991 that, if granted against 1991 taxes payable in 1992 in addition to granting of the credits under subsection (g), would not result in the impairment or adverse effect.

(7) If the fiscal officer of the consolidated city determines under subdivision (6) that there is an amount of partial credits that would not result in the impairment or adverse effect, the fiscal officer shall determine the amount of partial credits and certify that determination.

(8) If the fiscal officer of the consolidated city certifies under subdivision (7) that partial credits may be paid, the partial credits shall be applied pro rata among all affected taxpayers against 1991 taxes payable in 1992.

(9) An affected taxpayer may appeal any of the following to the circuit or superior court of the county in which the allocation area is located:

(A) A determination by the fiscal officer of the consolidated city that:

- (i) credits may not be paid for 1990 taxes payable in 1991; or
- (ii) only partial credits may be paid for 1990 taxes payable in 1991.

(B) A failure by the fiscal officer of the consolidated city to make a determination by June 15, 1991, of whether credits are payable under this subsection.

(10) An appeal of a determination must be filed not later than thirty (30) days after the publication of the determination. Any such appeal shall be decided by the court within sixty (60) days.

(11) An appeal of a failure by the fiscal officer of the consolidated city to make a determination of whether credits are payable under this subsection must be filed by July 15, 1991. Any such appeal shall be decided by the court within sixty (60) days.

(12) If 1991 taxes payable in 1992 with respect to a parcel are billed to the same taxpayer to which 1990 taxes payable in 1991 were billed, the county treasurer shall apply to the tax bill for 1991 taxes payable in 1992 both the credit provided under subsection (g) and the credit provided under this subsection, along with any credit determined to be applicable to the tax bill under subsection (i). In the alternative, at the election of the county auditor, the county may pay to the taxpayer the amount of the credit by May 10, 1992, and the amount shall be charged to the taxing units in which the

allocation area is located in the proportion of the taxing units' respective tax rates for 1990 taxes payable in 1991.

(13) If 1991 taxes payable in 1992 with respect to a parcel are billed to a taxpayer other than the taxpayer to which 1990 taxes payable in 1991 were billed, the county treasurer shall do the following:

(A) Apply only the credits under subsections (g) and (i) to the tax bill for 1991 taxes payable in 1992.

(B) Give notice by June 30, 1991, by publication two (2) times in three (3) newspapers in the county with the largest circulation of the availability of a refund of the credit under this subsection.

A taxpayer entitled to a credit must file an application for refund of the credit with the county auditor not later than November 30, 1991.

(14) A taxpayer who files an application by November 30, 1991, is entitled to payment from the county treasurer in an amount that is in the same proportion to the credit provided under this subsection with respect to a parcel as the amount of 1990 taxes payable in 1991 paid by the taxpayer with respect to the parcel bears to the 1990 taxes payable in 1991 with respect to the parcel. This amount shall be paid to the taxpayer by May 10, 1992, and shall be charged to the taxing units in which the allocation area is located in the proportion of the taxing units' respective tax rates for 1990 taxes payable in 1991.

(i) This subsection applies to an allocation area if allocated taxes from that area were pledged to bonds, leases, or other obligations of the commission before May 8, 1989. The following apply to the credit granted under this subsection:

(1) A prior year credit is applicable to property taxes first due and payable in each year from 1987 through 1990 (the "prior years").

(2) The credit for each prior year is equal to:

(A) the amount of the quotient determined under STEP TWO of subsection (e) for the prior year; multiplied by

(B) the total amount of the property taxes paid by the taxpayer that were allocated in the prior year to the allocation area special fund under section 26 of this chapter.

(3) Before January 31, 1992, the county auditor shall determine the amount of credits under subdivision (2) with respect to each parcel in the allocation area for all prior years with respect to which:

(A) taxes were billed to the same taxpayer for taxes payable in each year from 1987 through 1991; or

(B) an application was filed by November 30, 1991, under subdivision (8) for refund of the credits for prior years.

A report of the determination by parcel shall be sent by the county

auditor to the ~~state board~~ **department of tax commissioners local government finance** and the budget agency within five (5) days of such determination.

(4) Before January 31, 1992, the county auditor shall determine the quotient of the amounts determined under subdivision (3) with respect to each parcel divided by six (6).

(5) Before January 31, 1992, the county auditor shall determine the quotient of the aggregate amounts determined under subdivision (3) with respect to all parcels divided by twelve (12).

(6) Except as provided in subdivisions (7) and (9), in each year in which credits from prior years remain unpaid, credits for the prior years in the amounts determined under subdivision (4) shall be applied as provided in this subsection.

(7) If taxes payable in the current year with respect to a parcel are billed to the same taxpayer to which taxes payable in all of the prior years were billed and if the amount determined under subdivision (3) with respect to the parcel is at least five hundred dollars (\$500), the county treasurer shall apply the credits provided for the current year under subsections (g) and (h) and the credit in the amount determined under subdivision (4) to the tax bill for taxes payable in the current year. However, if the amount determined under subdivision (3) with respect to the parcel is less than five hundred dollars (\$500) (referred to in this subdivision as "small claims"), the county may, at the election of the county auditor, either apply a credit in the amount determined under subdivision (3) or subdivision (4) to the tax bill for taxes payable in the current year or pay either amount to the taxpayer. If title to a parcel transfers in a year in which a credit under this subsection is applied to the tax bill, the transferor may file an application with the county auditor within thirty (30) days of the date of the transfer of title to the parcel for payments to the transferor at the same times and in the same amounts that would have been allowed as credits to the transferor under this subsection if there had not been a transfer. If a determination is made by the county auditor to refund or credit small claims in the amounts determined under subdivision (3) in 1992, the county auditor may make appropriate adjustments to the credits applied with respect to other parcels so that the total refunds and credits in any year will not exceed the payments made from the state property tax replacement fund to the prior year credit fund referred to in subdivision (11) in that year.

(8) If taxes payable in the current year with respect to a parcel are billed to a taxpayer that is not a taxpayer to which taxes payable in

all of the prior years were billed, the county treasurer shall do the following:

(A) Apply only the credits under subsections (g) and (h) to the tax bill for taxes payable in the current year.

(B) Give notice by June 30, 1991, by publication two (2) times in three (3) newspapers in the county with the largest circulation of the availability of a refund of the credit.

A taxpayer entitled to the credit must file an application for refund of the credit with the county auditor not later than November 30, 1991. A refund shall be paid to an eligible applicant by May 10, 1992.

(9) A taxpayer who filed an application by November 30, 1991, is entitled to payment from the county treasurer under subdivision (8) in an amount that is in the same proportion to the credit determined under subdivision (3) with respect to a parcel as the amount of taxes payable in the prior years paid by the taxpayer with respect to the parcel bears to the taxes payable in the prior years with respect to the parcel.

(10) In each year on May 1 and November 1, the state shall pay to the county treasurer from the state property tax replacement fund the amount determined under subdivision (5).

(11) All payments received from the state under subdivision (10) shall be deposited into a special fund to be known as the prior year credit fund. The prior year credit fund shall be used to make:

(A) payments under subdivisions (7) and (9); and

(B) deposits into the special fund for the application of prior year credits.

(12) All amounts paid into the special fund for the allocation area under subdivision (11) are subject to any pledge of allocated property tax proceeds made by the redevelopment district under section 26(d) of this chapter, including but not limited to any pledge made to owners of outstanding bonds of the redevelopment district of allocated taxes from that area.

(13) By January 15, 1993, and by January 15 of each year thereafter, the county auditor shall send to the ~~state board department~~ of ~~tax commissioners local government finance~~ and the budget agency a report of the receipts, earnings, and disbursements of the prior year credit fund for the prior calendar year. If in the final year that credits under subsection (i) are allowed any balance remains in the prior year credit fund after the payment of all credits payable under this subsection, such balance shall be repaid to the treasurer of state for deposit in the property tax replacement fund.

(14) In each year, the county shall limit the total of all refunds and credits provided for in this subsection to the total amount paid in that year from the property tax replacement fund into the prior year credit fund and any balance remaining from the preceding year in the prior year credit fund.

SECTION 130. IC 36-7-15.1-35 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 35. (a) Notwithstanding section 26(a) of this chapter, with respect to the allocation and distribution of property taxes for the accomplishment of a program adopted under section 32 of this chapter, "base assessed value" means the net assessed value of all of the land as finally determined for the assessment date immediately preceding the effective date of the allocation provision, as adjusted under section 26(g) of this chapter. However, "base assessed value" does not include the value of real property improvements to the land.

(b) The special fund established under section 26(b) of this chapter for the allocation area for a program adopted under section 32 of this chapter may be used only for purposes related to the accomplishment of the program, including the following:

(1) The construction, rehabilitation, or repair of residential units within the allocation area.

(2) The construction, reconstruction, or repair of infrastructure (such as streets, sidewalks, and sewers) within or serving the allocation area.

(3) The acquisition of real property and interests in real property within the allocation area.

(4) The demolition of real property within the allocation area.

(5) To provide financial assistance to enable individuals and families to purchase or lease residential units within the allocation area. However, financial assistance may be provided only to those individuals and families whose income is at or below the county's median income for individuals and families, respectively.

(6) To provide financial assistance to neighborhood development corporations to permit them to provide financial assistance for the purposes described in subdivision (5).

(7) To provide each taxpayer in the allocation area a credit for property tax replacement as determined under subsections (c) and (d). However, this credit may be provided by the commission only if the city-county legislative body establishes the credit by ordinance adopted in the year before the year in which the credit is provided.

(c) The maximum credit that may be provided under subsection (b)(7) to a taxpayer in a taxing district that contains all or part of an allocation

area established for a program adopted under section 32 of this chapter shall be determined as follows:

STEP ONE: Determine that part of the sum of the amounts described in IC 6-1.1-21-2(g)(1)(A) and IC 6-1.1-21-2(g)(2) through IC 6-1.1-21-2(g)(5) **and the general school operating levies (as defined in IC 6-1.1-21-2)** that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the ~~amount~~ **sum of:**

(i) thirty-nine percent (39%) of the county's total county tax levy payable that year; and

(ii) one hundred percent (100%) of the general school operating levies (as defined in IC 6-1.1-21-2) for that year;

as determined under IC 6-1.1-21-4(a)(1) that is attributable to the taxing district; by

(B) the amount determined under STEP ONE.

STEP THREE: Multiply:

(A) the STEP TWO quotient; by

(B) the taxpayer's property taxes levied in the taxing district allocated to the allocation fund, including the amount that would have been allocated but for the credit.

(d) The commission may determine to grant to taxpayers in an allocation area from its allocation fund a credit under this section, as calculated under subsection (c), by applying one-half (1/2) of the credit to each installment of property taxes that under IC 6-1.1-22-9 are due and payable on May 1 and November 1 of a year. The commission must provide for the credit annually by a resolution and must find in the resolution the following:

(1) That the money to be collected and deposited in the allocation fund, based upon historical collection rates, after granting the credit will equal the amounts payable for contractual obligations from the fund, plus ten percent (10%) of those amounts.

(2) If bonds payable from the fund are outstanding, that there is a debt service reserve for the bonds that at least equals the amount of the credit to be granted.

(3) If bonds of a lessor under section 17.1 of this chapter or under IC 36-1-10 are outstanding and if lease rentals are payable from the fund, that there is a debt service reserve for those bonds that at least equals the amount of the credit to be granted.

If the tax increment is insufficient to grant the credit in full, the commission may grant the credit in part, prorated among all taxpayers.

(e) Notwithstanding section 26(b) of this chapter, the special fund established under section 26(b) of this chapter for the allocation area for

a program adopted under section 32 of this chapter may only be used to do one (1) or more of the following:

(1) Accomplish one (1) or more of the actions set forth in section 26(b)(2)(A) through section 26(b)(2)(H) of this chapter.

(2) Reimburse the consolidated city for expenditures made by the city in order to accomplish the housing program in that allocation area.

The special fund may not be used for operating expenses of the commission.

(f) Notwithstanding section 26(b) of this chapter, the commission shall, relative to the special fund established under section 26(b) of this chapter for an allocation area for a program adopted under section 32 of this chapter, do the following before July 15 of each year:

(1) Determine the amount, if any, by which property taxes payable to the allocation fund in the following year will exceed the amount of property taxes necessary:

(A) to make, when due, principal and interest payments on bonds described in section 26(b)(2) of this chapter;

(B) to pay the amount necessary for other purposes described in section 26(b)(2) of this chapter; and

(C) to reimburse the consolidated city for anticipated expenditures described in subsection (e)(2).

(2) Notify the county auditor of the amount, if any, of excess property taxes that the commission has determined may be paid to the respective taxing units in the manner prescribed in section 26(b)(1) of this chapter.

SECTION 131. IC 36-7-30-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. (a) The following definitions apply throughout this section:

(1) "Allocation area" means that part of a military base reuse area to which an allocation provision of a declaratory resolution adopted under section 10 of this chapter refers for purposes of distribution and allocation of property taxes.

(2) "Base assessed value" means:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the adoption date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A) or (C), the net assessed value of any and all parcels or classes of parcels identified as part of the base assessed value in the declaratory resolution or an amendment thereto, as finally determined for any

subsequent assessment date; plus
 (C) to the extent that it is not included in clause (A) or (B), the net
 assessed value of property that is assessed as residential property
 under the rules of the ~~state board~~ **department of tax**
~~commissioners~~, **local government finance**, as finally determined
 for any assessment date after the effective date of the allocation
 provision.

Clause (C) applies only to allocation areas established in a military
 reuse area after June 30, 1997, and to the portion of an allocation
 area that was established before June 30, 1997, and that is added to
 an existing allocation area after June 30, 1997.

(3) "Property taxes" means taxes imposed under IC 6-1.1 on real
 property.

(b) A declaratory resolution adopted under section 10 of this chapter
 before the date set forth in IC 36-7-14-39(b) pertaining to declaratory
 resolutions adopted under IC 36-7-14-15 may include a provision with
 respect to the allocation and distribution of property taxes for the
 purposes and in the manner provided in this section. A declaratory
 resolution previously adopted may include an allocation provision by the
 amendment of that declaratory resolution in accordance with the
 procedures set forth in section 13 of this chapter. The allocation
 provision may apply to all or part of the military base reuse area. The
 allocation provision must require that any property taxes subsequently
 levied by or for the benefit of any public body entitled to a distribution
 of property taxes on taxable property in the allocation area be allocated
 and distributed as follows:

(1) Except as otherwise provided in this section, the proceeds of the
 taxes attributable to the lesser of:

- (A) the assessed value of the property for the assessment date
 with respect to which the allocation and distribution is made; or
- (B) the base assessed value;

shall be allocated to and, when collected, paid into the funds of the
 respective taxing units.

(2) Except as otherwise provided in this section, property tax
 proceeds in excess of those described in subdivision (1) shall be
 allocated to the military base reuse district and, when collected, paid
 into an allocation fund for that allocation area that may be used by
 the military base reuse district and only to do one (1) or more of the
 following:

- (A) Pay the principal of and interest and redemption premium on
 any obligations incurred by the military base reuse district or any
 other entity for the purpose of financing or refinancing military

- 1 base reuse activities in or directly serving or benefiting that
 2 allocation area.
- 3 (B) Establish, augment, or restore the debt service reserve for
 4 bonds payable solely or in part from allocated tax proceeds in that
 5 allocation area or from other revenues of the reuse authority,
 6 including lease rental revenues.
- 7 (C) Make payments on leases payable solely or in part from
 8 allocated tax proceeds in that allocation area.
- 9 (D) Reimburse any other governmental body for expenditures
 10 made for local public improvements (or structures) in or directly
 11 serving or benefiting that allocation area.
- 12 (E) Pay all or a part of a property tax replacement credit to
 13 taxpayers in an allocation area as determined by the reuse
 14 authority. This credit equals the amount determined under the
 15 following STEPS for each taxpayer in a taxing district (as defined
 16 in IC 6-1.1-1-20) that contains all or part of the allocation area:
 17 STEP ONE: Determine that part of the sum of the amounts under
 18 IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3),
 19 IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) **and the general**
 20 **school operating levies (as defined in IC 6-1.1-21-2)** that is
 21 attributable to the taxing district.
- 22 STEP TWO: Divide:
 23 (i) **(A)** that part of the **sum of:**
 24 **(i) twenty thirty-nine percent (20%) (39%)** of each county's
 25 total county tax levy payable that year; **and**
 26 **(ii) one hundred percent (100%) of the general school**
 27 **operating levies (as defined in IC 6-1.1-21-2) for that year;**
 28 as determined under IC 6-1.1-21-4 that is attributable to the
 29 taxing district; by
 30 (ii) **(B)** the STEP ONE sum.
- 31 STEP THREE: Multiply:
 32 (i) the STEP TWO quotient; times
 33 (ii) the total amount of the taxpayer's property taxes levied in
 34 the taxing district that have been allocated during that year to
 35 an allocation fund under this section.
- 36 If not all the taxpayers in an allocation area receive the credit in
 37 full, each taxpayer in the allocation area is entitled to receive the
 38 same proportion of the credit. A taxpayer may not receive a credit
 39 under this section and a credit under section 27 of this chapter in
 40 the same year.
- 41 (F) Pay expenses incurred by the reuse authority for local public
 42 improvements or structures that were in the allocation area or

1 directly serving or benefiting the allocation area.

2 (G) Reimburse public and private entities for expenses incurred
3 in training employees of industrial facilities that are located:

4 (i) in the allocation area; and

5 (ii) on a parcel of real property that has been classified as
6 industrial property under the rules of the ~~state board~~
7 **department of tax commissioners; local government finance.**

8 However, the total amount of money spent for this purpose in any
9 year may not exceed the total amount of money in the allocation
10 fund that is attributable to property taxes paid by the industrial
11 facilities described in this clause. The reimbursements under this
12 clause must be made not more than three (3) years after the date
13 on which the investments that are the basis for the increment
14 financing are made.

15 The allocation fund may not be used for operating expenses of the
16 reuse authority.

17 (3) Except as provided in subsection (g), before July 15 of each year
18 the reuse authority shall do the following:

19 (A) Determine the amount, if any, by which property taxes
20 payable to the allocation fund in the following year will exceed
21 the amount of property taxes necessary to make, when due,
22 principal and interest payments on bonds described in subdivision
23 (2) plus the amount necessary for other purposes described in
24 subdivision (2).

25 (B) Notify the county auditor of the amount, if any, of the amount
26 of excess property taxes that the reuse authority has determined
27 may be paid to the respective taxing units in the manner
28 prescribed in subdivision (1). The reuse authority may not
29 authorize a payment to the respective taxing units under this
30 subdivision if to do so would endanger the interest of the holders
31 of bonds described in subdivision (2) or lessors under section 19
32 of this chapter. Property taxes received by a taxing unit under this
33 subdivision are eligible for the property tax replacement credit
34 provided under IC 6-1.1-21.

35 (c) For the purpose of allocating taxes levied by or for any taxing unit
36 or units, the assessed value of taxable property in a territory in the
37 allocation area that is annexed by a taxing unit after the effective date of
38 the allocation provision of the declaratory resolution is the lesser of:

39 (1) the assessed value of the property for the assessment date with
40 respect to which the allocation and distribution is made; or

41 (2) the base assessed value.

42 (d) Property tax proceeds allocable to the military base reuse district

1 under subsection (b)(2) may, subject to subsection (b)(3), be irrevocably
 2 pledged by the military base reuse district for payment as set forth in
 3 subsection (b)(2).

4 (e) Notwithstanding any other law, each assessor shall, upon petition
 5 of the reuse authority, reassess the taxable property situated upon or in
 6 or added to the allocation area, effective on the next assessment date
 7 after the petition.

8 (f) Notwithstanding any other law, the assessed value of all taxable
 9 property in the allocation area, for purposes of tax limitation, property
 10 tax replacement, and the making of the budget, tax rate, and tax levy for
 11 each political subdivision in which the property is located is the lesser
 12 of:

13 (1) the assessed value of the property as valued without regard to
 14 this section; or

15 (2) the base assessed value.

16 (g) If any part of the allocation area is located in an enterprise zone
 17 created under IC 4-4-6.1, the unit that designated the allocation area
 18 shall create funds as specified in this subsection. A unit that has
 19 obligations, bonds, or leases payable from allocated tax proceeds under
 20 subsection (b)(2) shall establish an allocation fund for the purposes
 21 specified in subsection (b)(2) and a special zone fund. Such a unit shall,
 22 until the end of the enterprise zone phase out period, deposit each year
 23 in the special zone fund any amount in the allocation fund derived from
 24 property tax proceeds in excess of those described in subsection (b)(1)
 25 from property located in the enterprise zone that exceeds the amount
 26 sufficient for the purposes specified in subsection (b)(2) for the year.
 27 The amount sufficient for purposes specified in subsection (b)(2) for the
 28 year shall be determined based on the pro rata part of such current
 29 property tax proceeds from the part of the enterprise zone that is within
 30 the allocation area as compared to all such current property tax proceeds
 31 derived from the allocation area. A unit that does not have obligations,
 32 bonds, or leases payable from allocated tax proceeds under subsection
 33 (b)(2) shall establish a special zone fund and deposit all the property tax
 34 proceeds in excess of those described in subsection (b)(1) that are
 35 derived from property in the enterprise zone in the fund. The unit that
 36 creates the special zone fund shall use the fund (based on the
 37 recommendations of the urban enterprise association) for programs in
 38 job training, job enrichment, and basic skill development that are
 39 designed to benefit residents and employers in the enterprise zone or
 40 other purposes specified in subsection (b)(2), except that where
 41 reference is made in subsection (b)(2) to allocation area it shall refer for
 42 purposes of payments from the special zone fund only to that portion of

the allocation area that is also located in the enterprise zone. The programs shall reserve at least one-half (1/2) of their enrollment in any session for residents of the enterprise zone.

(h) After each general reassessment under IC 6-1.1-4, the ~~state board~~ **department of tax commissioners local government finance** shall adjust the base assessed value one (1) time to neutralize any effect of the general reassessment on the property tax proceeds allocated to the military base reuse district under this section. However, the adjustment may not include the effect of property tax abatements under IC 6-1.1-12.1, and the adjustment may not produce less property tax proceeds allocable to the military base reuse district under subsection (b)(2) than would otherwise have been received if the general reassessment had not occurred. The ~~state board~~ **department of tax commissioners local government finance** may prescribe procedures for county and township officials to follow to assist the ~~state board~~ **department of local government finance** in making the adjustments.

SECTION 132. [EFFECTIVE JULY 1, 2002] **IC 6-1.1-12-37 and IC 6-1.1-20.9-2, both as amended by this act, apply only to property taxes first due and payable after December 31, 2002.**

SECTION 133. [EFFECTIVE JULY 1, 2002] **IC 6-3.1-4-1, IC 6-3.1-4-2, IC 6-3.1-4-4, and IC 6-3.1-4-6, all as amended by this act, apply to expenditures made after December 31, 2002, regardless of when the taxpayer's taxable year begins.**

SECTION 134. [EFFECTIVE JULY 1, 2002] **IC 6-3-4-8, IC 6-3.1-21-5, and IC 6-3.1-21-6, all as amended by this act, apply to taxable years beginning after December 31, 2002.**

SECTION 135. [EFFECTIVE JANUARY 1, 2003] (a) **For purposes of:**

- (1) **IC 6-2.5-2-2, as amended by this act;**
- (2) **IC 6-2.5-6-7, as amended by this act;**
- (3) **IC 6-2.5-6-8, as amended by this act;**
- (4) **IC 6-2.5-6-10, as amended by this act;**
- (5) **IC 6-2.5-7-3, as amended by this act; and**
- (6) **IC 6-2.5-7-5, as amended by this act;**

all transactions, except the furnishing of public utility, telephone, or cable television services and commodities by retail merchants described in IC 6-2.5-4-5, IC 6-2.5-4-6, and IC 6-2.5-4-11 shall be considered as having occurred after December 31, 2002, to the extent that delivery of the property or services constituting selling at retail is made after that date to the purchaser or to the place of delivery designated by the purchaser. However, a transaction shall be considered as having occurred before January 1, 2003, to the

1 extent that the agreement of the parties to the transaction was
 2 entered into before December 1, 2002, and payment for the property
 3 or services furnished in the transaction is made before January 1,
 4 2003, notwithstanding the delivery of the property or services after
 5 December 31, 2002.

6 (b) With respect to a transaction constituting the furnishing of
 7 public utility, telephone, or cable television services and
 8 commodities, only transactions for which the charges are collected
 9 upon original statements and billings dated after January 31, 2003,
 10 shall be considered as having occurred after December 31, 2002.

11 (c) This SECTION expires July 1, 2004.

12 SECTION 136. [EFFECTIVE JULY 1, 2002] (a) This SECTION
 13 applies to a corporate taxpayer that:

14 (1) pays adjusted gross income tax under IC 6-3-1 through
 15 IC 6-3-7; and

16 (2) has a taxable year that begins before January 1, 2003, and
 17 ends after December 31, 2002.

18 (b) The rate of the adjusted gross income tax imposed under
 19 IC 6-3-2-1 for that taxable year is a rate equal to the sum of:

20 (1) three and four-tenths percent (3.4%) multiplied by a
 21 fraction, the numerator of which is the number of days in the
 22 taxpayer's taxable year that occurred before January 1, 2003,
 23 and the denominator of which is the total number of days in the
 24 taxable year; and

25 (2) eight and five-tenths percent (8.5%) multiplied by a fraction,
 26 the numerator of which is the number of days in the taxpayer's
 27 taxable year that occurred after December 31, 2002, and the
 28 denominator of which is the total number of days in the taxable
 29 year.

30 (c) However, the rate determined under this SECTION shall be
 31 rounded to the nearest one-hundredth of one percent (0.01%).

32 SECTION 137. [EFFECTIVE JULY 1, 2002] Revenue stamps paid
 33 for before July 1, 2002, may be used after June 30, 2002, only if the
 34 full amount of the tax imposed by IC 6-7-1-12, as amended by this
 35 act, is remitted to the department of state revenue under the
 36 procedures prescribed by the department.

37 SECTION 138. [EFFECTIVE JULY 1, 2002] IC 4-33-12-1 and
 38 IC 4-33-12-6, both as amended by this act, apply to riverboat
 39 admissions taxes collected after June 30, 2002. IC 4-33-13-1 and
 40 IC 4-33-13-5, both as amended by this act, apply to riverboat
 41 adjusted gross receipts received after June 30, 2002.

42 SECTION 139. [EFFECTIVE UPON PASSAGE] (a) The definitions

in IC 6-1.1-1 apply throughout this SECTION.

(b) 50 IAC 4.3 and 50 IAC 5.2 are void. The publisher of the Indiana Administrative Code shall remove 50 IAC 4.3 and 50 IAC 5.2 from the Indiana Administrative Code.

(c) The following are void to the extent that they establish a shelter allowance for real property used as a residence:

(1) 50 IAC 2.3 (including the 2002 Real Property Assessment Manual and the Real Property Assessment Guidelines for 2002–Version A).

(2) Any other rule adopted by the state board of tax commissioners or the department of local government finance.

SECTION 140. [EFFECTIVE JULY 1, 2002] (a) This subsection applies to the last six (6) months of calendar year 2002. A school corporation may transfer from the school corporation's capital projects fund to the school corporation's general fund an amount not to exceed the product of:

(1) the school corporation's assessed valuation for calendar year 2002 divided by one hundred (100); and

(2) the lesser of:

(A) three hundred twenty-eight ten-thousandths (0.0328); or

(B) the school corporation's capital projects fund tax rate for calendar year 2002 multiplied by five-tenths (0.5).

(b) This subsection applies to the first six (6) months of calendar year 2003. A school corporation may transfer from the school corporation's capital projects fund to the school corporation's general fund an amount not to exceed the product of:

(1) the school corporation's assessed valuation for calendar year 2002 divided by one hundred (100); and

(2) the lesser of:

(A) three hundred twenty-eight ten-thousandths (0.0328); or

(B) the school corporation's capital projects fund tax rate for calendar year 2002 multiplied by five-tenths (0.5).

SECTION 141. [EFFECTIVE UPON PASSAGE] The office of Medicaid policy and planning shall implement measures to reduce state general fund Medicaid expenditures by two hundred fifty million dollars (\$250,000,000) during the period beginning July 1, 2001, and ending June 30, 2003. Program savings are to be accomplished in areas including, but not limited to, long term care, pharmacy, acute care, and managed care.

SECTION 142. [EFFECTIVE JULY 1, 2002] (a) As used in this SECTION, "office" refers to the office of Medicaid policy and planning established under IC 12-8-6-1.

1 (b) Before September 1, 2002, the office shall apply to the United
 2 States Department of Health and Human Services to do the
 3 following:

4 (1) Amend the state's waiver under 42 U.S.C. 1396n(b)(1) to
 5 include the aged, blind, and disabled in the managed care
 6 program under IC 12-15-12.

7 (2) Amend the state Medicaid plan in accordance with this act.

8 (c) The office may not implement the amendments under
 9 subsection (b) until the office files an affidavit with the governor
 10 attesting that the amendments applied for under this SECTION
 11 have been approved. The office shall file the affidavit under this
 12 subsection not later than five (5) days after the office is notified that
 13 the amendments are approved.

14 (d) If the United States Department of Health and Human
 15 Services approves the amendments applied for under this SECTION
 16 and the governor receives the affidavit filed under subsection (c),
 17 the office shall implement the amendments not more than sixty (60)
 18 days after the governor receives the affidavit.

19 (e) The office may adopt rules under IC 4-22-2 to implement this
 20 SECTION.

21 (f) This SECTION expires December 31, 2008.

22 SECTION 143. [EFFECTIVE UPON PASSAGE] (a) As used in this
 23 SECTION, "committee" refers to the interim study committee on
 24 placement of residents at Muscatatuck state developmental center
 25 and retraining and placement of employees.

26 (b) There is established the interim study committee on placement
 27 of residents at Muscatatuck state developmental center and
 28 retraining and placement of employees. The committee shall study
 29 the adequacy and safe placement of residents who are receiving care
 30 at Muscatatuck state developmental center. The committee shall
 31 study how employees are being retrained and placed. Attention
 32 should be given to placement of the employees elsewhere in state
 33 employment in view of the strategic hiring freeze implemented by
 34 the governor.

35 (c) The committee shall operate under the policies governing study
 36 committees adopted by the legislative council.

37 (d) The affirmative votes of a majority of the voting members
 38 appointed to the committee are required for the committee to take
 39 action on any measure, including final reports.

40 (e) This SECTION expires December 31, 2004.

41 SECTION 144. [EFFECTIVE UPON PASSAGE] Notwithstanding
 42 P.L.291-2001, SECTION 37, the total amount appropriated for

"State General Fund - Construction" for the 2001-2003 biennium is reduced by \$32,000,000. Not later than June 30, 2002, the budget agency, after review by the budget committee, shall identify \$32,000,000 in spending reductions for projects listed in P.L.291-2001, SECTION 37. Adjustments made to HIGHER EDUCATION for General Repair and Rehab in this act may not be included in the plan.

SECTION 145. [EFFECTIVE UPON PASSAGE] Notwithstanding P.L.291-2001, SECTION 37, the HIGHER EDUCATION appropriations for FY 2001-2002 for General Repair and Rehab for universities shall be reduced by the equivalent of fifty percent (50%) of one (1) year of the appropriations, which is equal to \$16,333,091 of the amount appropriated in P.L.291-2001, SECTION 37. The total biennial appropriations are reduced by twenty-five percent (25%) to achieve this one (1) year reduction. The appropriations are as follows:

	Biennial Appropriation
HIGHER EDUCATION	
INDIANA UNIVERSITY - TOTAL SYSTEM	
General Repair and Rehab	19,510,183
PURDUE UNIVERSITY - TOTAL SYSTEM	
General Repair and Rehab	15,283,411
INDIANA STATE UNIVERSITY	
General Repair and Rehab	4,234,647
UNIVERSITY OF SOUTHERN INDIANA	
General Repair and Rehab	651,282
BALL STATE UNIVERSITY	
General Repair and Rehab	5,670,222
VINCENNES UNIVERSITY	
General Repair and Rehab	1,941,622
IVY TECH STATE COLLEGE	
General Repair and Rehab	1,707,906

SECTION 146. P.L.291-2001, SECTION 219, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: SECTION 219. (a) Notwithstanding the provisions of IC 6-1.1-21-10(c), the schedule to be used ~~in~~ **after** calendar year 2001 in making property tax replacement credit distributions to county treasurers is as follows:

January	0.00%
February	0.00%
March	16.70%
April	16.70%

1	May	0.00%
2	June	0.00%
3	July	16.60%
4	August	0.00%
5	September	16.70%
6	October	16.70%
7	November	16.60%
8	December	0.00%

9 (b) The property tax replacement fund board may adjust the schedule
10 in subsection (a).

11 SECTION 147. [EFFECTIVE UPON PASSAGE] (a)
12 **Notwithstanding any other law governing dedicated funds, if the**
13 **budget director determines before July 1, 2003, that there are excess**
14 **balances in:**

- 15 (1) the license branch fund (IC 9-29-13);
- 16 (2) the underground petroleum storage tank excess liability
- 17 fund (IC 4-4-11.2);
- 18 (3) the pay phone fund;
- 19 (4) the waste tire management fund (IC 13-20-13);
- 20 (5) the recycling promotion assistance fund (IC 4-23-5.5-14);
- 21 (6) the financial responsibility compliance verification fund (IC
- 22 9-25-9);
- 23 (7) the environmental management special fund (IC 13-14-12);
- 24 or

25 (8) the regional health care construction account (IC 4-12-8.5);
26 the budget agency, with the approval of the governor, may transfer
27 all or part of the excess balances identified by the budget director to
28 the state general fund before July 1, 2003.

29 (b) This SECTION expires July 1, 2003.

30 SECTION 148. [EFFECTIVE JULY 1, 2002] (a) **Money remaining**
31 **in the property tax replacement fund on June 30, 2002, shall be**
32 **allocated, as soon as practicable after June 30, 2002, among the**
33 **accounts in the property tax replacement fund as follows:**

- 34 (1) Fifty percent (50%) to the school account.
- 35 (2) Twenty-five percent (25%) to the business account.
- 36 (3) Twenty-five percent (25%) to the residential account.

37 (b) **Notwithstanding IC 6-1.1-21-3.5, as added by this act, any**
38 **transfers from the business account or the residential account of the**
39 **property tax replacement fund to the county treasurer distribution**
40 **account of the property tax replacement fund required to make**
41 **distributions to a county treasurer in July 2002 shall be made as**
42 **soon as practicable after money is allocated to the business account**

1 and residential account under subsection (a).

2 SECTION 149. [EFFECTIVE JULY 1, 2002] (a) Notwithstanding
3 P.L.291-2001, SECTION 4, the appropriation FOR THE
4 DEPARTMENT OF EDUCATION, STATE BOARD OF
5 EDUCATION, DISTRIBUTION FOR TUITION SUPPORT,
6 Property Tax Relief Fund, Total Operating Expense for FY
7 2002-2003 is \$0 and not \$1,523,065,150.

8 (b) There is appropriated to the department of education, state
9 board of education, \$1,523,065,150 from the school account of the
10 property tax replacement fund for the distributions for tuition
11 support for the period beginning July 1, 2002, and ending June 30,
12 2003.

13 (c) Notwithstanding P.L.291-2001, SECTION 4, if the
14 distributions for tuition support from the state general fund and
15 from the school account of the property tax replacement fund for
16 the period beginning July 1, 2002, and ending June 30, 2003, are
17 more than are required under P.L.291-2001, SECTION 4 and
18 subsection (b), one-half (1/2) of any excess shall revert to the state
19 general fund and one-half (1/2) shall revert to the school account of
20 the property tax replacement fund.

21 (d) This SECTION expires June 30, 2004.

22 SECTION 150. [EFFECTIVE JULY 1, 2002] (a) Notwithstanding
23 P.L.291-2001, SECTION 15, the appropriation FOR THE
24 PROPERTY TAX REPLACEMENT FUND BOARD, PROPERTY
25 TAX REPLACEMENT FUND (IC 6-1.1-21), Total Operating
26 Expense for FY 2002-2003 is \$0 and not \$1,157,017,761.

27 (b) There is appropriated FOR THE PROPERTY TAX
28 REPLACEMENT FUND BOARD, PROPERTY TAX
29 REPLACEMENT FUND (IC 6-1.1-21), Total Operating Expense
30 \$1,157,017,761 from the county treasurer distribution account of the
31 property tax replacement fund for the period beginning July 1,
32 2002, and ending June 30, 2003.

33 (c) This SECTION expires June 30, 2004.

34 SECTION 151. [EFFECTIVE JULY 1, 2002] (a) The definitions in
35 IC 6-2.2-2, as added by this act, apply throughout this SECTION.

36 (b) The department of state revenue shall adopt the initial rules
37 and prescribe the initial forms to implement IC 6-2.2 (business
38 supplemental tax), as added by this act, before July 1, 2002. The
39 department of state revenue may adopt the initial rules required
40 under this SECTION in the same manner that emergency rules are
41 adopted under IC 4-22-2-37.1. A rule adopted under this SECTION
42 expires on the earlier of the following:

(1) The date that the rule is superseded, amended, or repealed by a permanent rule adopted under IC 4-22-2 or another rule adopted under this SECTION.

(2) July 1, 2004.

(c) IC 6-2.2, as added by this act, applies to taxable years beginning after December 31, 2002, and to short taxable years described in subsection (d).

(d) This subsection applies to a taxpayer that was doing business in Indiana during a taxable year determined under the Internal Revenue Code for federal income tax purposes that:

(1) begins before January 1, 2003; and

(2) ends after December 31, 2003.

The initial taxable year for a taxpayer under IC 6-2.2, as added by this act, is a short taxable year. Notwithstanding IC 6-2.2-4-1, as added by this act, the initial taxable year of a taxpayer under IC 6-2.2, as added by this act, begins January 1, 2003. The initial taxable year of the taxpayer ends on the day immediately preceding the day that the taxpayer's next taxable year under the Internal Revenue Code begins. Notwithstanding IC 6-2.2-6, as added by this act, the tax imposed under IC 6-2.2, as added by this act, for the initial taxable year of the taxpayer is equal to the tax computed under IC 6-2.2-7, as added by this act, for the taxpayer's full taxable year under the Internal Revenue Code multiplied by a fraction. The numerator of the fraction is the number of days remaining in the taxpayer's taxable year after January 1, 2003, and the denominator is the total number of days in the taxable year under the Internal Revenue Code for the purposes of federal income taxation.

SECTION 152. [EFFECTIVE JULY 1, 2002] (a) This SECTION applies to a taxpayer that:

(1) pays supplemental net income tax under IC 6-3-8; and

(2) has a taxable year that begins before January 1, 2003, and ends after December 31, 2002.

(b) A taxpayer shall file the taxpayer's estimated supplemental net income tax return and pay the taxpayer's estimated supplemental net income tax liability to the department of state revenue as provided by law for due dates that occur before January 1, 2003.

(c) Not later than April 15, 2003, a taxpayer shall file a final supplemental net income tax return with the department of state revenue on a form and in the manner prescribed by the department of state revenue. At the time of filing the final supplemental net income tax return, a taxpayer shall pay to the department of state

- 1 **revenue an amount equal to the remainder of:**
- 2 **(1) the total supplemental net income tax liability incurred by**
- 3 **the taxpayer for the part of the taxpayer's taxable year that**
- 4 **occurred in calendar year 2002; minus**
- 5 **(2) the sum of:**
- 6 **(A) the total amount of supplemental net income taxes that**
- 7 **were previously paid by the taxpayer to the department of**
- 8 **state revenue for any quarter of that same part of the**
- 9 **taxpayer's taxable year; plus**
- 10 **(B) any supplemental net income taxes that were withheld**
- 11 **from the taxpayer for that same part of the taxpayer's**
- 12 **taxable year.**
- 13 **SECTION 153. THE FOLLOWING ARE REPEALED [EFFECTIVE**

1 JULY 1, 2002]: IC 6-3.1-23.8; IC 12-15-2-15.7.
2 SECTION 154. THE FOLLOWING ARE REPEALED [EFFECTIVE
3 JANUARY 1, 2003]: IC 6-3-7-2.5; IC 6-3-8; IC 6-5.
(Reference is to EHB 1004 as printed February 12, 2002.)

and when so amended that said bill do pass .

Committee Vote: Yeas 13, Nays 2.

Senator Borst, Chairperson